ARCHER DANIELS MIDLAND CO
Form 10-K
February 16, 2018

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D. C. 20549
FORM 10-K

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
OR
¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2017

Commission file number 1-44
ARCHER-DANIELS-MIDLAND COMPANY
(Exact name of registrant as specified in its charter)

Delaware	41-0129150
(State or other jurisdiction of incorporation or organization)	(I. R. S. Employer Identification No.)
77 West Wacker Drive, Suite 4600 Chicago, Illinois	60601
(Address of principal executive offices)	(Zip Code)

312-634-8100
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, no par value	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes x
No ¨

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes ¨ No x

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ¨

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. x

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth comany. See definition of "large accelerated filer", "accelerated filer", "smaller reporting company", and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer x	Accelerated Filer o
Non-accelerated Filer o	Smaller Reporting Company o
Emerging Growth Company o	

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No x

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter.

Common Stock, no par value--$23.2 billion
(Based on the closing sale price of Common Stock as reported on the New York Stock Exchange
as of June 30, 2017)

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date.

Common Stock, no par value—558,839,277 shares
(February 15, 2018)

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the proxy statement for the annual meeting of stockholders to be held May 3, 2018, are incorporated by reference into Part III of this Form 10-K.

SAFE HARBOR STATEMENT

This Form 10-K contains forward-looking information that is subject to certain risks and uncertainties that could cause actual results to differ materially from those projected, expressed, or implied by such forward-looking information. In some cases, you can identify forward-looking statements by our use of words such as "may", "will", "should", "anticipates", "believes", "expects", "plans", "future", "intends", "could", "estimate", "predict", "potential" or "contingent", the negative of t other similar expressions. The Company's actual results could differ materially from those discussed or implied herein. Factors that could cause or contribute to such differences include, but are not limited to, those discussed in this Form 10-K for the year ended December 31, 2017. Among these risks are legislative acts; changes in the prices of food, feed, and other commodities, including gasoline; and macroeconomic conditions in various parts of the world. To the extent permitted under applicable law, the Company assumes no obligation to update any forward-looking statements as a result of new information or future events.

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PART I

Item 1. BUSINESS

Company Overview

Archer-Daniels-Midland Company (the Company) was incorporated in Delaware in 1923, successor to the Daniels Linseed Co. founded in 1902. The Company is one of the world's leading producers of food and beverage ingredients, and other products made from oilseeds, corn, wheat, and other agricultural commodities. The Company's products include natural flavors and colors, health and nutrition products, vegetable oil, corn sweeteners, flour, animal feed, and biofuels. The Company has an extensive global grain elevator and transportation network to procure, store, clean, and transport agricultural commodities, such as oilseeds, corn, wheat, milo, oats, and barley, as well as products derived from those inputs. The Company has significant investments in joint ventures. The Company expects to benefit from these investments, which typically aim to expand or enhance the Company's market for its products or offer other benefits including, but not limited to, geographic or product line expansion.

The Company's vision is to be the most admired global agribusiness and ingredients company while creating value and growing responsibly. The Company's strategy involves expanding the volume and diversity of crops that it merchandises and processes, expanding the global reach of its core model, and expanding its value-added product portfolio. The Company desires to execute this vision and these strategies by conducting its business in accordance with its core values of operating with integrity, treating others with respect, achieving excellence, being resourceful, displaying teamwork, and being responsible.

As the world population grows, so does demand for quality foods, feed ingredients for livestock, alternative fuels, and environmentally friendly alternatives to traditional chemicals. As one of the world's leading agricultural and food ingredient processors, the Company plays a pivotal role in meeting all of these needs in sustainable ways. The Company produces the food ingredients, biofuels, and other products that manufacturers around the world use to provide wholesome food and a better life to millions of people around the globe.

Segment Descriptions

The Company's operations are organized, managed, and classified into four reportable business segments: Agricultural Services, Corn Processing, Oilseeds Processing, and Wild Flavors and Specialty Ingredients. Each of these segments is organized based upon the nature of products and services offered. The Company's remaining operations are not reportable business segments, as defined by the applicable accounting standard, and are classified as Other. Financial information with respect to the Company's reportable business segments is set forth in Note 17 of "Notes to Consolidated Financial Statements" included in Item 8 herein, "Financial Statements and Supplementary Data."

Agricultural Services

The Agricultural Services segment utilizes its extensive global grain elevator and transportation networks, and port operations to buy, store, clean, and transport agricultural commodities, such as oilseeds, corn, wheat, milo, oats, rice, and barley, and resells these commodities primarily as food and feed ingredients and as raw materials for the agricultural processing industry. The Agricultural Services segment includes international agricultural commodities merchandising and handling activities managed through a global trade desk based in Rolle, Switzerland. Agricultural Services' grain sourcing, handling, and transportation network provides reliable and efficient services to the Company's customers and agricultural processing operations. Agricultural Services' transportation network capabilities include barge, ocean-going vessel, truck, rail, and container freight services. The Agricultural Services segment also includes the activities related to structured trade finance and the processing of wheat into wheat flour. In July 2017, the Company completed the acquisition of a 51% controlling interest in Industries Centers, an Israeli company specializing in the import and distribution of agricultural feed products, which is now known as ADM Israel.

The Company has a 32.2% interest in Pacificor (formerly Kalama Export Company LLC). Pacificor owns and operates a grain export elevator in Kalama, Washington and a grain export elevator in Portland, Oregon.

The Company held a 19.8% interest in GrainCorp Limited (GrainCorp), a publicly listed company on the Australian Stock Exchange, until its sale in December 2016. GrainCorp is engaged in grain receival and handling, transportation, port operations, oilseed processing, malt processing, flour processing, and grain marketing activities.

Item 1. BUSINESS (Continued)

Corn Processing

The Company's Corn Processing segment is engaged in corn wet and dry milling and other activities, utilizing its asset base primarily located in the central part of the United States with additional facilities in China, Bulgaria, France, Morocco, Spain, and Turkey. The Corn Processing segment converts corn into sweeteners, starches, and bioproducts. Its products include ingredients used in the food and beverage industry including sweeteners, starch, syrup, glucose, and dextrose. Dextrose and starch are used by the Corn Processing segment as feedstocks for its bioproducts operations. By fermentation of dextrose, the Corn Processing segment produces alcohol, amino acids, and other food and animal feed ingredients. Ethyl alcohol is produced by the Company for industrial use as ethanol or as beverage grade. Ethanol, in gasoline, increases octane and is used as an extender and oxygenate. Bioproducts also include essential amino acids such as lysine and threonine used in swine and poultry diets to optimize performance. Corn gluten feed and meal, as well as distillers' grains, are produced for use as animal feed ingredients. Corn germ, a by-product of the wet milling process, is further processed into vegetable oil and protein meal. The Corn Processing segment also includes activities related to the processing and distribution of formula feeds and animal health and nutrition products. Other Corn Processing products include citric acids and glycols, all of which are used in various food and industrial products. The Corn Processing segment also included the activities of the Company's Brazilian sugarcane ethanol plant and related operations until the Company completed the sale of these operations in May 2016. In February 2017, the Company acquired Crosswind Industries, Inc., an industry leader in the manufacture of contract and private label pet treats and food, as well as specialty ingredients, and an 89% controlling interest in Biopolis SL, a leading provider of microbial technology with a strong portfolio of novel food ingredients. In June 2017, the Company completed the acquisition of Chamtor SA, a French producer of wheat-based sweeteners and starches.

Hungrana Ltd., in which the Company owns a 50% interest, operates a wet corn milling plant in Hungary.

Almidones Mexicanos S.A., in which the Company has a 50% interest, operates a wet corn milling plant in Mexico.

Red Star Yeast Company, LLC produces and sells fresh and dry yeast in the United States and Canada. The Company has a 40% ownership interest in this joint venture.

Oilseeds Processing

The Oilseeds Processing segment includes global activities related to the origination, merchandising, crushing, and further processing of oilseeds such as soybeans and soft seeds (cottonseed, sunflower seed, canola, rapeseed, and flaxseed) into vegetable oils and protein meals. Oilseeds products produced and marketed by the Company include ingredients for the food, feed, energy, and industrial products industries. Crude vegetable oils produced by the segment's crushing activities are sold "as is" or are further processed by refining, blending, bleaching, and deodorizing into salad oils. Salad oils are sold "as is" or are further processed by hydrogenating and/or interesterifying into margarine, shortening, and other food products. Partially refined oils are used to produce biodiesel or are sold to other manufacturers for use in chemicals, paints, and other industrial products. Oilseed protein meals are principally sold to third parties to be used as ingredients in commercial livestock and poultry feeds. In Europe and South America, the Oilseeds Processing segment includes origination and merchandising activities as adjuncts to its oilseeds processing assets. These activities include a network of grain elevators, port facilities, and transportation assets used to buy, store, clean, and transport grains and oilseeds. The Oilseeds Processing segment is a major supplier of peanuts, tree nuts, and peanut-derived ingredients to both the U.S. and export markets. In North America, cottonseed flour is produced and sold primarily to the pharmaceutical industry and cotton cellulose pulp is manufactured and sold to the chemical, paper, and filter markets. The Oilseeds Processing segment also included activities related to its global chocolate and cocoa businesses until the sale of these businesses in July 2015 and October 2015, respectively.

The Company has an equity interest in Wilmar International Limited (Wilmar), a Singapore publicly listed company. During the year ended December 31, 2017, the Company acquired additional shares in Wilmar, increasing its ownership interest from 23.2% to 24.9% as of December 31, 2017. Wilmar, a leading agribusiness group in Asia, is engaged in the businesses of oil palm cultivation, oilseeds crushing, edible oils refining, packaged oils and foods, sugar milling and refining, specialty fats, oleo chemicals, biodiesel and fertilizers manufacturing, and grains processing.

Stratas Foods LLC, a joint venture between the Company and ACH Jupiter, LLC, a subsidiary of Associated British Foods, procures, packages, and sells edible oils in North America. The Company has a 50% ownership interest in this joint venture.

Item 1. BUSINESS (Continued)

The Company has a 50% interest in Edible Oils Limited, a joint venture between the Company and Princes Limited to procure, package, and sell edible oils in the United Kingdom. The Company also formed a joint venture with Princes Limited in Poland to procure, package, and sell edible oils in Poland, Czech Republic, Slovakia, Hungary, and Austria.

Olenex Sarl (Olenex), a joint venture between the Company and Wilmar, produces and sells a comprehensive portfolio of edible oils and fats to customers around the globe. In addition, Olenex markets refined oils and fats from the Company's plants in the Czech Republic, Germany, the Netherlands, Poland, and the U.K. The Company has a 37.5% ownership interest in this joint venture.
The Company is a major supplier of agricultural commodity raw materials to Wilmar, Stratas Foods LLC, Edible Oils Limited, and Olenex.

Wild Flavors and Specialty Ingredients

The Wild Flavors and Specialty Ingredients (WFSI) segment engages in the manufacturing, sales, and distribution of specialty products including natural flavor ingredients, flavor systems, natural colors, proteins, emulsifiers, soluble fiber, polyols, hydrocolloids, natural health and nutrition products, and other specialty food and feed ingredients. The WFSI segment also includes the activities related to the procurement, processing, and distribution of edible beans.

Other

Other includes the Company’s remaining operations related to futures commission merchant and insurance activities.

ADM Investor Services, Inc., a wholly owned subsidiary of the Company, is a registered futures commission merchant and a clearing member of all principal commodities exchanges in the U.S. ADM Investor Services International, Limited, a member of several commodity exchanges and clearing houses in Europe, ADMIS Hong Kong Limited, and ADMIS Singapore Pte. Limited are wholly owned subsidiaries of the Company offering broker services in Europe and Asia.

Insurance activities include Agrinational Insurance Company (Agrinational) and its subsidiaries. Agrinational, a wholly owned subsidiary of the Company, provides insurance coverage for certain property, casualty, marine, credit, and other miscellaneous risks of the Company. Agrinational also participates in certain third-party reinsurance arrangements and retained a portion of the crop insurance risk written by ADM Crop Risk Services, a wholly owned subsidiary engaged in the selling and servicing of crop insurance policies to farmers which was sold to Validus Holdings, a global group of insurance and reinsurance companies on May 1, 2017.

Corporate

Compagnie Industrielle et Financiere des Produits Amylaces SA (Luxembourg) and affiliates (CIP), in which the Company has a 43.7% interest, is a joint venture which targets investments in food, feed ingredients, and bioproducts businesses.

Methods of Distribution

The Company’s products are distributed mainly in bulk from processing plants or storage facilities directly to customers’ facilities. The Company has developed a comprehensive transportation capability to efficiently move both commodities and processed products virtually anywhere in the world. The Company owns or leases large numbers of the trucks, trailers, railroad tank and hopper cars, river barges, towboats, and ocean-going vessels used to transport the Company's products to its customers.

Item 1. BUSINESS (Continued)

Concentration of Revenues by Product

The following products account for 10% or more of revenues for the following periods:

	% of Revenues Year Ended December 31		
	2017	2016	2015
Soybeans	17%	17%	16%
Soybean Meal	13%	13%	13%
Corn	10%	10%	11%

Status of New Products

The Company continues to expand the size and global reach of its business through the development of new products. Acquisitions, especially in the Wild Flavors and Specialty Ingredients segment, expand the Company's ability to serve the customers' evolving needs through its offering of natural flavor and ingredient products. The Company does not expect any of its new products to have a significant impact on the Company's revenues in 2018.

Source and Availability of Raw Materials

Substantially all of the Company's raw materials are agricultural commodities. In any single year, the availability and price of these commodities are subject to factors such as changes in weather conditions, plantings, government programs and policies, competition, changes in global demand, changes in standards of living, and global production of similar and competitive crops. The Company's raw materials are procured from thousands of growers, grain elevators, and wholesale merchants in North America, South America, EMEA, Asia, and Australia, pursuant primarily to short-term (less than one year) agreements or on a spot basis. The Company is not dependent upon any particular grower, elevator, or merchant as a source for its raw materials.

Patents, Trademarks, and Licenses

The Company owns patents, trademarks, and licenses, principally consisting of $222 million of trademarks from the Wild Flavors acquisition in 2014, but does not consider any segment of its business dependent upon any single or group of patents, trademarks or licenses.

Seasonality, Working Capital Needs, and Significant Customers

Since the Company is widely diversified in global agribusiness markets, there are no material seasonal fluctuations in overall global processing volumes and the sale and distribution of its products and services. There is a degree of seasonality in the growing cycles, procurement, and transportation of the Company's principal raw materials: oilseeds, corn, wheat, and other grains.

The prices of agricultural commodities, which may fluctuate significantly and change quickly, directly affect the Company's working capital requirements. Because the Company has a higher portion of its operations in the northern hemisphere, principally North America and Europe, relative to the southern hemisphere, primarily South America, inventory levels typically peak after the northern hemisphere fall harvest and are generally lower during the northern hemisphere summer months. Working capital requirements have historically trended with inventory levels. No material part of the Company's business is dependent upon a single customer or very few customers. The Company has seasonal financing arrangements with farmers in certain countries around the world. Typically, advances on these financing arrangements occur during the planting season and are repaid at harvest.

Competition

The Company has significant competition in the markets in which it operates based principally on price, foreign exchange rates, quality, global supply, and alternative products, some of which are made from different raw materials than those utilized by the Company. Given the commodity-based nature of many of its businesses, the Company, on an ongoing basis, focuses on managing unit costs and improving efficiency through technology improvements, productivity enhancements, and regular evaluation of the Company's asset portfolio.

Item 1. BUSINESS (Continued)

Research and Development Expenditures

The Company’s research and development expenditures are focused on responding to demand from customers’ product development or formulation needs, improving processing efficiency, and developing food, feed, fuel, and industrial products from renewable agricultural crops. Research and development expense during the years ended December 31, 2017, 2016, and 2015, net of reimbursements of government grants, was approximately $129 million, $123 million, and $122 million, respectively.

The Company’s laboratories and technical centers around the world enhance its ability to interact with customers in Europe, Asia, and South America, not only to provide flavors, but also to support the sales of other food ingredients. The acquisition of Wild Flavors in October 2014 approximately doubled the number of scientists and technicians in research and development. Since that time, additional laboratories have been added, including food & beverages applications laboratories in Sydney, Australia and Cranbury, New Jersey as well as expanded laboratories in Decatur, Illinois and Singapore.

The Company is working with the U.S. Department of Energy’s National Energy Technology Laboratory and other key academic and corporate partners on carbon sequestration projects to reduce carbon dioxide emissions from manufacturing operations. The second carbon sequestration project, the Illinois Industrial Carbon Capture & Sequestration, started carbon dioxide injection in April 2017.

The Company is continuing to invest in research to develop a broad range of sustainable materials with an objective to produce key intermediate materials that serve as a platform for producing a variety of sustainable packaging products. The key materials are derived from the Company’s starch and oilseed-based feedstocks. Conversion technologies include utilizing expertise in both fermentation and catalysis. The materials pipeline includes the development of chemicals and intermediates that are currently produced from petrochemical resources as well as new-to-the-market bio-based products. The Company’s current portfolio includes products that are in the early development phase and those that are close to pilot plant demonstration. The Company’s project with DuPont to develop sustainable packaging solutions with improved barrier properties has progressed to the construction of a demonstration semi-works plant. This facility, which will be completed in early 2018, will provide both development samples for customers as well as engineering data for a full scale plant.

The Company is also expanding its human health and nutrition portfolio with the acquisition of an 89% controlling interest in Biopolis SL (Biopolis), a leading provider of probiotics and genomic services. Biopolis provides genomic sequencing capabilities for the Company's customers as well as for its internal use. Biopolis also has high through-put biological functionality testing capabilities that can be used to discover new probiotics and nutraceuticals. In September 2017, the Company announced a collaboration with the Mayo Clinic to study gut microflora with respect to personalized nutrition.

In January 2018, the Company announced a joint development agreement with Vland Biotech to develop and commercialize enzymes for animal feed.

ADM Ventures, which was launched by the Company in October 2016, has made its first selections of high-potential, new-product development projects from its business units. ADM Ventures is also looking at several promising, early-stage start-up companies in which the Company may wish to invest.

Environmental Compliance

During the year ended December 31, 2017, $40 million was spent specifically to improve equipment, facilities, and programs for pollution control and compliance with the requirements of various environmental agencies.

There have been no material effects upon the earnings and competitive position of the Company resulting from compliance with applicable laws or regulations enacted or adopted relating to the protection of the environment.

Item 1. BUSINESS (Continued)

A number of jurisdictions where the Company has operations have implemented or are in the process of implementing carbon pricing programs or regulations to reduce greenhouse gas emissions, including, but not limited to, the U.S., Canada, Mexico, the E.U. and its member states, and China. The Company's operations located in countries with effective and applicable carbon pricing and regulatory programs currently meet their obligations in this regard with no significant impact on the earnings and competitive position of the Company. The Company's business could be affected in the future by additional global, regional, national, and local regulation, pricing of greenhouse gas emissions or other climate change legislation, regulation or agreements. It is difficult at this time to estimate the likelihood of passage, or predict the potential impact, of any additional legislation, regulations or agreements. Potential consequences of new obligations could include increased energy, transportation, raw material, and administrative costs, and may require the Company to make additional investments in its facilities and equipment.

Number of Employees

The number of full-time employees of the Company was approximately 31,300 at December 31, 2017 and 31,800 at December 31, 2016. The net decrease in the number of full-time employees is primarily related to the reduction of certain positions within the Company's global workforce and divestitures, partially offset by acquisitions.

Financial Information About Foreign and U.S. Operations

Item 1A, "Risk Factors," and Item 2, "Properties," include information relating to the Company's foreign and U.S. operations. Geographic financial information is set forth in Note 17 of "Notes to Consolidated Financial Statements" included in Item 8 herein, "Financial Statements and Supplementary Data".

Available Information

The Company's website is http://www.adm.com. The Company makes available, free of charge, through its website, the Company's annual reports on Form 10-K; quarterly reports on Form 10-Q; current reports on Form 8-K; directors' and officers' Forms 3, 4, and 5; and amendments to those reports, if any, as soon as reasonably practicable after electronically filing such materials with, or furnishing them to, the Securities and Exchange Commission (SEC).

In addition, the Company makes available, through its website, the Company's Code of Conduct, Corporate Governance Guidelines, and the written charters of the Audit, Compensation/Succession, Nominating/Corporate Governance, and Executive Committees.

References to the Company's website address in this report are provided as a convenience and do not constitute, or should not be viewed as, an incorporation by reference of the information contained on, or available through, the website. Therefore, such information should not be considered part of this report.

The public may read and copy any materials filed by the Company with the SEC at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains a website which contains reports, proxy and information statements, and other information regarding issuers that file information electronically with the SEC. The SEC's website is http://www.sec.gov.

Item 1A. RISK FACTORS

The Company faces risks in the normal course of business and through global, regional, and local events that could have an adverse impact on its reputation, operations, and financial performance.

Management directs a Company-wide Enterprise Risk Management (ERM) Program, with oversight from the Company’s Board of Directors. The Company’s Audit Committee has the delegated risk management oversight responsibility and receives updates on the risk management processes and key risk factors on a quarterly basis.

The risk factors that follow are the main risks that the ERM program focuses on to protect and enhance shareholder value through intentional risk mitigation plans based on management-defined risk limits.

Item 1A. RISK FACTORS (Continued)

The Company, through its business unit, functional, and corporate teams, continually updates, assesses, monitors, and mitigates these and other business and compliance risks in accordance with the ERM Program and as monitored by the ERM Program team and Chief Risk Officer.

The availability and prices of the agricultural commodities and agricultural commodity products the Company procures, transports, stores, processes, and merchandises can be affected by weather conditions, disease, government programs, competition, and various other factors beyond the Company's control and could adversely affect the Company's operating results.

The availability and prices of agricultural commodities are subject to wide fluctuations due to changes in weather conditions, crop disease, plantings, government programs and policies, competition, changes in global demand, changes in standards of living, and global production of similar and competitive crops. The Company uses a global network of procurement, processing, and transportation assets, as well as robust communications between global commodity merchandiser teams, to continually assess price and basis opportunities. These commodity trade teams monitor commodity positions against management established limits (including a corporate wide value-at-risk metric), with robust internal reporting to ensure optimized results versus the Company's strategic plans. Additionally, the Company depends globally on agricultural producers to ensure an adequate supply of the agricultural commodities used by the Company in its operations is maintained. These factors have historically caused volatility in the availability and prices of agricultural commodities and, consequently, in the Company's operating results and working capital requirements. Reduced supply of agricultural commodities due to weather-related factors or other reasons could adversely affect the Company's profitability by increasing the cost of raw materials and/or limiting the Company's ability to procure, transport, store, process, and merchandise agricultural commodities in an efficient manner. For example, a drought in North America in 2012 reduced the availability of corn and soybean inventories while prices increased. High and volatile commodity prices can adversely affect the Company's ability to meet its liquidity needs. Conversely, if supplies are abundant and crop production globally outpaces demand for more than one or two crop cycles, price volatility is somewhat diminished. This could result in reduced operating results due to the lack of supply chain dislocations and reduced market spread and basis opportunities.

Advances in technology, such as seed and crop protection technology, farming techniques, or speed of information flow, may reduce the significance of dislocations and arbitrage opportunities in the agricultural global markets, which may reduce the earnings potential of agricultural merchandisers and processors such as the Company.

The Company has significant competition in the markets in which it operates.

The Company faces significant competition in each of its businesses and has numerous competitors. The company competes for the acquisition of inputs such as agricultural commodities, transportation services, and other materials and supplies, as well as for workforce and talent. Additionally, competitors offer similar products and services, as well as alternative products and services, to the Company's customers. The Company is dependent on being able to generate revenues in excess of cost of products sold in order to obtain margins, profits, and cash flows to meet or exceed its targeted financial performance measures and provide cash for operating, working capital, dividend, or capital expenditure needs. Competition impacts the Company's ability to generate and increase its gross profit as a result of the following factors. Pricing of the Company's products is partly dependent upon industry processing capacity, which is impacted by competitor actions to bring idled capacity on-line, build new production capacity or execute aggressive consolidation. Many of the products bought and sold by the Company are global commodities or are derived from global commodities. The markets for global commodities are highly price competitive and in many cases the commodities are subject to substitution. Significant changes in exchange rates of foreign currencies versus the U.S. dollar, particularly the currencies of major crop growing countries, could also make goods and products of these countries more competitive than U.S. products, thereby negatively impacting the competitiveness of the Company's significant origination, processing, and export footprint, and the Company's operating results. Improved yields in different crop growing regions may reduce the reliance on origination territories in which the Company has a significant presence. In addition, continued merger and acquisition activities resulting in further consolidations result in greater cost competitiveness and global scale of certain players in the industry that could impact the relative competitiveness of the Company, especially when acquirers are state-owned and/or backed by public funds and have profit and return objectives that may differ from publicly traded enterprises. To compete effectively, the Company focuses on improving efficiency in its production and distribution operations, developing and maintaining appropriate market share, maintaining a high level of product safety and quality, and working with customers to develop new products and tailored solutions.

Item 1A. RISK FACTORS (Continued)

Fluctuations in energy prices could adversely affect the Company’s operating results.

The Company’s operating costs and the selling prices of certain finished products are sensitive to changes in energy prices. The Company’s processing plants are powered principally by electricity, natural gas, and coal. The Company’s transportation operations are dependent upon diesel fuel and other petroleum-based products. Significant increases in the cost of these items, including any consequences of regulation or taxation of greenhouse gases, could adversely affect the Company’s production costs and operating results.

The Company has certain finished products, such as ethanol and biodiesel, which are closely related to, or may be substituted for, petroleum products, or in the case of ethanol, blended into gasoline to increase octane content. Therefore, the selling prices of ethanol and biodiesel can be impacted by the selling prices of gasoline, diesel fuel, and other octane enhancers. A significant decrease in the price of gasoline, diesel fuel, or other octane enhancers could result in a significant decrease in the selling price of the Company’s ethanol and biodiesel and could adversely affect the Company’s revenues and operating results. The Company uses derivative contracts as anticipatory hedges for both purchases of commodity inputs and sales of energy-based products in order to protect itself against these price trends and to protect and maximize processing margins.

The Company is subject to economic downturns and regional economic volatilities, which could adversely affect the Company’s operating results.

The Company conducts its business and has substantial assets located in many countries and geographic areas. While 56 percent of the Company’s processing plants and 74 percent of its procurement facilities are located in the United States, the Company also has significant operations in both developed areas (such as Western Europe, Canada, and Brazil) and emerging market areas (such as Eastern Europe, Asia, portions of South and Central America, the Middle East, and Africa). One of the Company’s strategies is to expand the global reach of its core model which may include expanding or developing its business in emerging market areas such as Asia, Eastern Europe, the Middle East, and Africa. Both developed and emerging market areas are subject to impacts of economic downturns, including decreased demand for the Company’s products, and reduced availability of credit, or declining credit quality of the Company’s suppliers, customers, and other counterparties. In addition, emerging market areas could be subject to more volatile operating conditions including, but not limited to, logistics limitations or delays, labor-related challenges, limitations or regulations affecting trade flows (such as concerning genetically modified organisms), local currency concerns, and other economic and political instability. Political fiscal instability could generate intrusive regulations in emerging markets potentially creating unanticipated assessments of taxes, fees, increased risks of corruption, etc. Economic downturns and volatile market conditions could adversely affect the Company’s operating results and ability to execute its long-term business strategies, thus reducing the Company’s overall market value. The Company mitigates this risk in many ways including country risk analysis, government relations and tax compliance activities, and active ethics compliance training requirements.

The Company is subject to numerous laws, regulations, and mandates globally which could adversely affect the Company’s operating results and forward strategy.

The Company does business globally, connecting crops and markets in more than 170 countries. The Company is required to comply with the numerous and far-reaching laws and regulations administered by United States federal, state, local, and foreign governmental authorities. The Company must comply with other general business regulations covering areas such as accounting and income taxes, anti-corruption, anti-bribery, global trade, trade sanctions, environmental, product safety, and handling and production of regulated substances. The Company frequently faces challenges from U.S. and foreign tax authorities regarding the amount of taxes due. These challenges include questions regarding the timing and amount of deductions and the allocation of income among various tax jurisdictions. In evaluating the exposure associated with various tax filing positions, the Company records reserves for estimates of potential additional tax owed by the Company. As examples, the Company has received large tax assessments from tax authorities in Brazil and Argentina, challenging income tax positions taken by subsidiaries of the Company covering various prior periods. Any failure to comply with applicable laws and regulations or appropriately resolve these challenges could subject the Company to administrative, civil, and criminal remedies including fines, penalties, disgorgement, injunctions, and recalls of its products, and damage to its reputation.

The production of the Company's products requires the use of materials which can create emissions of certain regulated substances, including greenhouse gas emissions. Although the Company has programs in place throughout the organization globally to ensure compliance with laws and regulations, failure to comply with these laws and regulations can have serious consequences, including civil, administrative, and criminal penalties as well as a negative impact on the Company's reputation, business, cash flows, and results of operations.

Item 1A. RISK FACTORS (Continued)

In addition, changes to regulations or implementation of additional regulations, for example the imposition of regulatory restrictions on greenhouse gases or regulatory modernization of food safety laws, may require the Company to modify existing processing facilities and/or processes which could significantly increase operating costs and adversely affect operating results.

Government policies, mandates, and regulations specifically affecting the agricultural sector and related industries; regulatory policies or matters that affect a variety of businesses; taxation polices; and political instability could adversely affect the Company’s operating results.

Agricultural production and trade flows are subject to government policies, mandates, regulations, and trade agreements. Governmental policies affecting the agricultural industry, such as taxes, tariffs, duties, subsidies, incentives, foreign exchange rates, and import and export restrictions on agricultural commodities and commodity products, including policies related to genetically modified organisms, traceability standards, product safety and labeling, renewable fuels, and low carbon fuel mandates, can influence the planting of certain crops, the location and size of crop production, whether unprocessed or processed commodity products are traded, the volume and types of imports and exports, the availability and competitiveness of feedstocks as raw materials, the viability and volume of production of certain of the Company’s products, and industry profitability. For example, changes in government policies or regulations of ethanol and biodiesel, including but not limited to changes in the Renewable Fuel Standard program under the Energy Independence and Security Act of 2007 in the United States, can have an impact on the Company’s operating results. International trade regulations can adversely affect agricultural commodity trade flows by limiting or disrupting trade between countries or regions. Regulations of financial markets and instruments, including the Dodd-Frank Act, Consumer Protection Act, and the European Market Infrastructure Regulation, create uncertainty and may lead to additional risks and costs, and could adversely affect the Company’s futures commission merchant business and its agricultural commodity risk management practices. Future government policies may adversely affect the supply of, demand for, and prices of the Company’s products; adversely affect the Company's ability to deploy adequate hedging programs; restrict the Company’s ability to do business in its existing and target markets; and adversely affect the Company’s revenues and operating results.

The Company’s operating results could be affected by political instability and by changes in other governmental policies, mandates, regulations, and trade agreements including monetary, fiscal and environmental policies, laws, regulations, acquisition approvals, and other activities of governments, agencies, and similar organizations. These risks include but are not limited to changes in a country’s or region’s economic or political conditions, local labor conditions and regulations, safety and environmental regulations, reduced protection of intellectual property rights, changes in the regulatory or legal environment, restrictions on currency exchange activities, currency exchange fluctuations, burdensome taxes and tariffs, enforceability of legal agreements and judgments, adverse tax, administrative agency or judicial outcomes, and regulation or taxation of greenhouse gases. International risks and uncertainties, including changing social and economic conditions as well as terrorism, political hostilities, and war, could limit the Company’s ability to transact business in these markets and could adversely affect the Company’s revenues and operating results. There has been a recent increase in populism and nationalism in various countries around the world and the concept and benefits of free trade are being challenged. The Company has benefited from the free flow of agricultural and food and feed ingredient products from the U.S. and other sources to markets around the world. Should there be an increase in tariff and restrictive trade activities around the world, the Company could be negatively impacted from its inability to enter certain markets or the price of the products being less competitive in the destination markets.

The Company's strategy involves expanding the volume and diversity of crops it merchandises and processes, expanding the global reach of its core model, and expanding its value-added product portfolio. Government policies, including antitrust and competition law, trade restrictions, food safety regulations, sustainability requirements, traceability, and other government regulations and mandates, can impact the Company's ability to execute this strategy successfully.

The Company is subject to industry-specific risks which could adversely affect the Company's operating results.

The Company is subject to risks which include, but are not limited to, product safety or quality; shifting consumer preferences; federal, state, and local regulations on manufacturing or labeling; socially acceptable farming practices; environmental, health and safety regulations; and customer product liability claims. The liability which could result from certain of these risks may not always be covered by, or could exceed liability insurance related to product liability and food safety matters maintained by the Company. In addition, negative publicity caused by product liability, food safety, occupational health and safety, and environmental matters may damage the Company's reputation. The Company has a particularly strong capability and culture around occupational health and safety and food safety. However, the occurrence of any of the matters described above could adversely affect the Company's revenues and operating results.

Item 1A. RISK FACTORS (Continued)

Certain of the Company’s merchandised commodities and finished products are used as ingredients in livestock and poultry feed. The Company is subject to risks associated with economic, product quality, feed safety or other factors which may adversely affect the livestock and poultry businesses, including the outbreak of disease in livestock and poultry. An outbreak of disease could adversely affect demand for the Company’s products used as ingredients in livestock and poultry feed. A decrease in demand for ingredients in livestock and poultry feed could adversely affect the Company’s revenues and operating results. In addition, as the Company increases its investment in flavors and ingredients businesses, it is exposed to increased risks related to rapidly changing consumer preferences and the impacts these changes could have on the success of certain of the Company's customers.

The Company is exposed to potential business disruption, including but not limited to disruption of transportation services, supply of non-commodity raw materials used in its processing operations, and other impacts resulting from acts of terrorism or war, natural disasters, severe weather conditions, and accidents which could adversely affect the Company’s operating results.

The Company’s operations rely on dependable and efficient transportation services. A disruption in transportation services could result in difficulties supplying materials to the Company’s facilities and impair the Company’s ability to deliver products to its customers in a timely manner. The Company relies on access to navigable rivers and waterways in order to fulfill its transportation obligations more effectively. If access to these navigable waters is interrupted, the Company’s operating results could be adversely affected. In addition, if certain non-agricultural commodity raw materials, such as water or certain chemicals used in the Company’s processing operations, are not available, the Company’s business could be disrupted. Any major lack of available water for use in certain of the Company’s processing operations could have a material adverse impact on operating results. Certain factors which may impact the availability of non-agricultural commodity raw materials are out of the Company’s control including, but not limited to, disruptions resulting from weather, economic conditions, manufacturing delays or disruptions at suppliers, shortage of materials, interruption of energy supply, and unavailable or poor supplier credit conditions.

The assets and operations of the Company could be subject to extensive property damage and business disruption from various events which include, but are not limited to, acts of terrorism, for example, economic adulteration of the Company’s products, or war, natural disasters and severe weather conditions, accidents, explosions, and fires. The potential effects of these conditions could adversely affect the Company’s revenues and operating results. The Company is continuing to enhance and deploy additional food safety and security procedures and controls to appropriately mitigate the risks of any adulteration of the Company’s products in supply chain and finished products in production and distribution networks. In addition, the Company conforms to management systems, such as International Organization for Standardization (ISO) or other recognized global standards.

The Company’s business is capital-intensive in nature and the Company relies on cash generated from its operations and external financing to fund its growth and ongoing capital needs. Limitations on access to external financing could adversely affect the Company’s operating results.

The Company requires significant capital, including continuing access to credit markets, to operate its current business and fund its growth strategy. The Company’s working capital requirements, including margin requirements on open positions on futures exchanges, are directly affected by the price of agricultural commodities, which may fluctuate significantly and change quickly. The Company also requires substantial capital to maintain and upgrade its extensive network of storage facilities, processing plants, refineries, mills, ports, transportation assets and other facilities to keep pace with competitive developments, technological advances, regulations and changing safety standards in the industry. Moreover, the expansion of the Company’s business and pursuit of acquisitions or other business opportunities may require significant amounts of capital. Access to credit markets and pricing of the Company's capital is dependent upon maintaining sufficient credit ratings from credit rating agencies. Sufficient credit ratings allow the Company to access cost competitive tier one commercial paper markets. If the Company is unable to maintain sufficiently high credit ratings, access to these commercial paper and other debt markets and costs of borrowings could be adversely affected. If the Company is unable to generate sufficient cash flow or maintain access to adequate external financing, including as a result of significant disruptions in the global credit markets, it could restrict the Company's current operations and its growth opportunities which could adversely affect the Company's operating results. The Company manages this risk with constant monitoring of credit/liquidity metrics, cash forecasting, and routine communications with credit rating agencies on risk management practices.

Item 1A. RISK FACTORS (Continued)

The Company's risk management strategies may not be effective.

The Company's business is affected by fluctuations in agricultural commodity cash prices and derivative prices, transportation costs, energy prices, interest rates, foreign currency exchange rates, and equity markets. The Company monitors position limits and counterparty risks and engages in other strategies and controls to manage these risks. The Company has a Chief Risk Officer and an established commodity merchandising governance process to ensure proper position reporting and monitoring, limit approvals, and execute training on trade compliance, commodity regulatory reporting controls, and other policies. The Company's monitoring efforts may not be successful at detecting a significant risk exposure. If these controls and strategies are not successful in mitigating the Company's exposure to these fluctuations, it could adversely affect the Company's operating results.

The Company has limited control over and may not realize the expected benefits of its equity investments and joint ventures.

The Company has $5.1 billion invested in or advanced to joint ventures and investments over which the Company has limited control as to the governance and management activities of these investments. Net sales to unconsolidated affiliates during the year ended December 31, 2017 was $6.0 billion. The Company faces certain risks, including risks related to the financial strength of the investment partner; loss of revenues and cash flows to the investment partner and related gross profit; the inability to implement beneficial management strategies, including risk management and compliance monitoring, with respect to the investment's activities; and the risk that the Company may not be able to resolve disputes with the investment partner. The Company may encounter unanticipated operating issues, financial results, or compliance and reputational risks related to these investments that may impact the Company's revenues and operating results. The Company mitigates this risk using controls and policies related to joint venture formation, governance including board of directors representation, merger and acquisition integration management, and harmonization of joint venture policies with the Company's policies and controls.

The Company's information technology (IT) systems, processes, and sites may suffer interruptions, security breaches, or failures which may affect the Company's ability to conduct its business.

The Company's operations rely on certain key IT systems, some of which are dependent on services provided by third parties, to provide critical data connectivity, information, and services for internal and external users. These interactions include, but are not limited to, ordering and managing materials from suppliers, risk management activities, converting raw materials to finished products, inventory management, shipping products to customers, processing transactions, summarizing and reporting results of operations, human resources benefits and payroll management, complying with regulatory, legal or tax requirements, and other processes necessary to manage the business. The Company is also in the process of implementing a new enterprise resource planning (ERP) system on a worldwide basis as part of its ongoing business transformation program, which is expected to improve the efficiency and effectiveness of certain financial and business transaction processes and the underlying systems environment. Increased IT security and social engineering threats and more sophisticated computer crime, including advanced persistent threats, pose a potential risk to the security of the Company's IT systems, networks, and services, as well as the confidentiality, availability, and integrity of the Company's third party data. The Company has put in place security measures to prevent, detect, and mitigate cyber-based attacks and instituted control procedures for cyber security incident responses and disaster recovery plans for its critical systems. In addition, the Company monitors this risk on an ongoing basis to detect and correct any breaches and reports metrics to the highest level of management and to the Board of Directors on the quality of the Company's data security efforts and control environment. However, if the Company's IT systems are breached, damaged, or cease to function properly due to any number of causes, such as catastrophic events, power outages, security breaches, or cyber-based attacks, and the Company's disaster recovery plans do not effectively mitigate the risks on a timely basis, the Company may suffer significant interruptions in its ability to manage its operations, loss of valuable data, actual or threatened legal actions, and damage to its reputation, which may adversely impact the Company's revenues, operating results, and financial condition.

Item 1B. UNRESOLVED STAFF COMMENTS

The Company has no unresolved staff comments.

Item 2. PROPERTIES

The Company owns or leases, under operating leases, the following processing plants and procurement facilities:

	Processing Plants			Procurement Facilities		
	Owned	Leased	Total	Owned	Leased	Total
U.S.	145	6	151	288	79	367
International	109	10	119	94	35	129
	254	16	270	382	114	496

The Company's operations are such that most products are efficiently processed near the source of raw materials. Consequently, the Company has many plants strategically located in agricultural commodity producing areas. The annual volume of commodities processed will vary depending upon availability of raw materials and demand for finished products. The Company also owns approximately 230 warehouses and terminals primarily used as bulk storage facilities and 44 innovation centers. Warehouses, terminals, corporate, and sales offices are not included in the tables above. Processing plants and procurement facilities owned or leased by unconsolidated joint ventures are also not included in the tables above.

To enhance the efficiency of transporting large quantities of raw materials and finished products between the Company's procurement facilities and processing plants and also the final delivery of products to its customers around the world, the Company owns approximately 1,800 barges, 12,300 rail cars, 290 trucks, 1,300 trailers, 100 boats, and 10 oceangoing vessels; and leases, under operating leases, approximately 510 barges, 16,000 rail cars, 270 trucks, 130 trailers, 10 boats, and 15 oceangoing vessels.

	Agricultural Services Processing Plants			
	Owned			Leased
	Merchandising & Handling	Milling & Other	Total	Milling & Other
North America				
U.S.*	1	29	30	—
Barbados	—	1	1	—
Belize	—	1	1	—
Canada	—	8	8	—
Grenada	—	1	1	—
Jamaica	—	2	2	—
Total	1	42	43	—
Daily capacity				
Metric tons (in 1,000's)	—	21	21	—
Europe				
United Kingdom	—	3	3	4
Total	—	3	3	4
Daily capacity				
Metric tons (in 1,000's)	—	1	1	1
Grand Total	1	45	46	4
Total daily capacity				
Metric tons (in 1,000's)	—	22	22	1

*The U.S. plants are located in California, Illinois, Indiana, Iowa, Kansas, Minnesota, Missouri, Nebraska, New York, North Carolina, Oklahoma, Pennsylvania, Tennessee, Texas, Washington, and Wisconsin.

Item 2. PROPERTIES (Continued)

	Agricultural Services Procurement Facilities					
	Owned			Leased		
	Merchandising & Handling	Milling & Other	Total	Merchandising & Handling	Milling & Other	Total
North America						
U.S.*	173	1	174	14	1	15
Canada	1	—	1	—	1	1
Dominican Republic	1	—	1	—	—	—
Total	175	1	176	14	2	16
Storage capacity						
Metric tons (in 1,000's)	14,022	—	14,022	643	68	711
South America						
Argentina	4	—	4	—	—	—
Columbia	—	—	—	10	—	10
Ecuador	—	—	—	2	—	2
Total	4	—	4	12	—	12
Storage capacity						
Metric tons (in 1,000's)	502	—	502	396	—	396
Europe						
Hungary	1	—	1	—	—	—
Ireland	2	—	2	—	—	—
Poland	1	—	1	—	—	—
Romania	10	—	10	2	—	2
Ukraine	7	—	7	—	—	—
United Kingdom	—	—	—	—	5	5
Total	21	—	21	2	5	7
Storage capacity						
Metric tons (in 1,000's)	1,130	—	1,130	20	14	34
Grand Total	200	1	201	28	7	35
Total storage capacity						
Metric tons (in 1,000's)	15,654	—	15,654	1,059	82	1,141

*The U.S. procurement facilities are located in Arkansas, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Michigan, Minnesota, Missouri, Nebraska, New York, North Dakota, Ohio, Oklahoma, Oregon, South Dakota, Tennessee, Texas, and Wisconsin.

Item 2. PROPERTIES (Continued)

	Corn Processing Processing Plants Owned				Procurement Facilities Owned
	Wet Milling	Dry Milling	Other	Total	Wet Milling, Dry Milling, & Other
North America					
U.S.*	5	3	28	36	6
Canada	—	—	3	3	—
Puerto Rico	—	—	3	3	—
Trinidad & Tobago	—	—	1	1	—
Total	5	3	35	43	6
Daily/Storage capacity					
Metric tons (in 1,000's)	43	22	415	480	377
Europe					
Bulgaria	1	—	—	1	—
France	—	—	1	1	—
Spain	—	—	1	1	—
Turkey	1	—	—	1	—
Total	2	—	2	4	—
Daily/Storage capacity					
Metric tons (in 1,000's)	2	—	1	3	—
Asia					
China	—	—	4	4	—
Total	—	—	4	4	—
Daily/Storage capacity					
Metric tons (in 1,000's)	—	—	236	236	—
Africa					
Morocco	1	—	—	1	—
Total	1	—	—	1	—
Daily/Storage capacity					
Metric tons (in 1,000's)	—	—	—	—	—
Grand Total	8	3	41	52	6
Total daily/storage capacity					
Metric tons (in 1,000's)	45	22	652	719	377

*The U.S. processing plants are located in Georgia, Illinois, Indiana, Iowa, Kansas, Kentucky, Michigan, Minnesota, Missouri, Nebraska, North Carolina, Ohio, Pennsylvania, Texas, and Washington.

* The U.S. procurement facilities are located in Illinois and Minnesota.

Item 2. PROPERTIES (Continued)

	Oilseeds Processing Plants							
	Owned				Leased			
	Crushing & Origination	Refining, Packaging, Biodiesel & Other	Asia	Total	Crushing & Origination	Refining, Packaging, Biodiesel & Other	Asia	Total
North America								
U.S.*	23	36	—	59	—	3	—	3
Canada	3	4	—	7	—	—	—	—
Mexico	1	—	—	1	—	—	—	—
Total	27	40	—	67	—	3	—	3
Daily capacity								
Metric tons (in 1,000's)	57	21	—	78	—	—	—	—
South America								
Argentina	—	1	—	1	—	—	—	—
Bolivia	1	2	—	3	—	—	—	—
Brazil	5	8	—	13	1	—	—	1
Paraguay	1	—	—	1	—	—	—	—
Peru	—	1	—	1	—	—	—	—
Total	7	12	—	19	1	—	—	1
Daily capacity								
Metric tons (in 1,000's)	17	8	—	25	1	—	—	1
Europe								
Belgium	—	1	—	1	—	—	—	—
Czech Republic	1	1	—	2	—	—	—	—
France	—	1	—	1	—	—	—	—
Germany	4	8	—	12	—	—	—	—
Netherlands	1	1	—	2	—	—	—	—
Poland	2	5	—	7	—	—	—	—
Switzerland	—	1	—	1	—	—	—	—
Ukraine	1	—	—	1	—	—	—	—
United Kingdom	1	3	—	4	—	—	—	—
Total	10	21	—	31	—	—	—	—
Daily capacity								
Metric tons (in 1,000's)	36	15	—	51	—	—	—	—
Asia								
India	—	—	2	2	—	—	1	1
Total	—	—	2	2	—	—	1	1
Daily capacity								
Metric tons (in 1,000's)	—	—	1	1	—	—	1	1
Africa								
South Africa	—	4	—	4	—	—	—	—
Total	—	4	—	4	—	—	—	—
Daily capacity								
Metric tons (in 1,000's)	—	2	—	2	—	—	—	—
Grand Total	44	77	2	123	1	3	1	5

Total daily capacity								
Metric tons (in 1,000's)	110	46	1	157	1	—	1	2

*The U.S. plants in the table above are located in Alabama, Georgia, Illinois, Indiana, Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota, Ohio, South Carolina, Tennessee, and Texas.

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Item 2. PROPERTIES (Continued)

	Oilseeds Procurement Facilities					
	Owned			Leased		
	Crushing & Origination	Refining, Packaging, Biodiesel, & Other	Total	Crushing & Origination	Refining, Packaging, Biodiesel, & Other	Total
North America						
U.S.*	3	86	89	—	64	64
Canada	5	—	5	—	—	—
Mexico	—	—	—	—	1	1
Total	8	86	94	—	65	65
Storage capacity						
Metric tons (in 1,000's)	247	369	616	—	210	210
South America						
Bolivia	5	—	5	—	—	—
Brazil	35	—	35	—	—	—
Chile	—	—	—	1	—	1
Paraguay	13	—	13	2	—	2
Peru	—	—	—	2	—	2
Uruguay	1	—	1	6	—	6
Total	54	—	54	11	—	11
Storage capacity						
Metric tons (in 1,000's)	2,173	—	2,173	354	—	354
Europe						
Germany	3	—	3	—	—	—
Netherlands	1	—	1	—	—	—
Poland	4	—	4	—	—	—
United Kingdom	—	—	—	3	—	3
Total	8	—	8	3	—	3
Storage capacity						
Metric tons (in 1,000's)	596	—	596	6	—	6
Grand Total	70	86	156	14	65	79
Total storage capacity						
Metric tons (in 1,000's)	3,016	369	3,385	360	210	570

*The U.S. procurement facilities are located in Alabama, Florida, Georgia, Iowa, Michigan, Mississippi, North Carolina, Oklahoma, South Carolina, Texas, and Virginia.

Item 2. PROPERTIES (Continued)

	Wild Flavors and Specialty Ingredients		
	Processing Plants		Procurement Facilities
	Owned	Leased	Owned
North America			
U.S.*	20	3	19
Canada	1	—	—
Total	21	3	19
Daily/Storage capacity			
Metric tons (in 1,000's)	992	107	324
South America			
Brazil	3	—	—
Total	3	—	—
Daily/Storage capacity			
Metric tons (in 1,000's)	48	—	—
Europe			
Germany	4	1	.—
Netherlands	1	1	—
Poland	1	—	—
Spain	1	—	—
Turkey	—	1	—
Total	7	3	—
Daily/Storage capacity			
Metric tons (in 1,000's)	18	—	—
Asia			
China	2	—	—
India	—	1	—
Total	2	1	—
Daily/Storage capacity			
Metric tons (in 1,000's)	320	200	—
Grand Total	33	7	19
Total storage capacity			
Metric tons (in 1,000's)	1,378	307	324

*The U.S. processing plants are located in Illinois, Iowa, Kentucky, Michigan, Nebraska, North Dakota, Ohio, and Washington.

*The U.S. procurement facilities are located in Idaho, Michigan, Minnesota, North Dakota, and Wyoming.

Item 3. LEGAL PROCEEDINGS

The Company is routinely involved in a number of actual or threatened legal actions, including those involving alleged personal injuries, employment law, product liability, intellectual property, environmental issues, alleged tax liability (see Note 13 in Item 8 for information on income tax matters), and class actions. The Company also routinely receives inquiries from regulators and other government authorities relating to various aspects of its business, and at any given time, the Company has matters at various stages of resolution with the applicable government authorities. The outcomes of these matters are not within the Company's complete control and may not be known for prolonged periods of time. In some actions, claimants seek damages, as well as other relief, including injunctive relief, that could require significant expenditures or result in lost revenues. In accordance with applicable accounting standards, the Company records a liability in its consolidated financial statements for material loss contingencies when a loss is known or considered probable and the amount can be reasonably estimated. If the reasonable estimate of a known or probable loss is a range, and no amount within the range is a better estimate than any other, the minimum amount of the range is accrued. If a material loss contingency is reasonably possible but not known or probable, and can be reasonably estimated, the estimated loss or range of loss is disclosed in the notes to the consolidated financial statements. When determining the estimated loss or range of loss, significant judgment is required to estimate the amount and timing of a loss to be recorded. Estimates of probable losses resulting from litigation and governmental proceedings involving the Company are inherently difficult to predict, particularly when the matters are in early procedural stages, with incomplete facts or legal discovery; involve unsubstantiated or indeterminate claims for damages; potentially involve penalties, fines, disgorgement, or punitive damages; or could result in a change in business practice. See Note 20 in Item 8 for information on the Company’s legal proceedings.

Item 4. MINE SAFETY DISCLOSURES

None.

PART II

Item 5. MARKET FOR REGISTRANT’S COMMON EQUITY, RELATED STOCKHOLDER MATTERS, AND ISSUER PURCHASES OF EQUITY SECURITIES

Common Stock Market Prices and Dividends

The Company’s common stock is listed and traded on the New York Stock Exchange. The following table sets forth, for the periods indicated, the high and low market prices of the common stock as reported on the New York Stock Exchange and common stock cash dividends declared per share.

	Market Price High	Market Price Low	Cash Dividends Per Share
Fiscal Year 2017-Quarter Ended			
December 31	$44.42	$38.59	$ 0.32
September 30	44.26	40.22	0.32
June 30	46.26	40.40	0.32
March 31	47.44	41.74	0.32
Fiscal Year 2016-Quarter Ended			
December 31	$47.88	$41.44	$ 0.30
September 30	45.39	41.21	0.30
June 30	44.14	34.55	0.30
March 31	38.96	29.86	0.30

The number of registered stockholders of the Company’s common stock at December 31, 2017, was 9,944.

The Company expects to continue its policy of paying regular cash dividends, although there is no assurance as to future dividends because they are dependent on future earnings, capital requirements, and financial condition.

Issuer Purchases of Equity Securities

Period	Total Number of Shares Purchased (1)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Program (2)	Number of Shares Remaining to be Purchased Under the Program (2)
October 1, 2017 to October 31, 2017	327	$43.206	327	15,669,397
November 1, 2017 to November 30, 2017	1,897,867	39.258	1,897,867	13,771,530
December 1, 2017 to December 31, 2017	222	39.886	222	13,771,308
Total	1,898,416	$39.259	1,898,416	13,771,308

(1) Total shares purchased represent those shares purchased in the open market as part of the Company's publicly announced stock repurchase program described below, shares received as payment for the exercise price of stock option exercises, and shares received as payment for the withholding taxes on vested restricted stock awards. During the three-month period ended December 31, 2017, there were no shares received as payments for the minimum withholding taxes on vested restricted stock awards and for the exercise price of stock option exercises.

(2) On November 5, 2014, the Company's Board of Directors approved a stock repurchase program authorizing the Company to repurchase up to 100,000,000 shares of the Company's common stock during the period commencing January 1, 2015 and ending December 31, 2019.

Item 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS, AND ISSUER PURCHASES OF EQUITY SECURITIES (Continued)

Performance Graph

The graph below compares the Company's common stock with those of the S&P 500 Index and the S&P Consumer Staples Index. The graph assumes an initial investment of $100 on December 31, 2012 and assumes all dividends have been reinvested through December 31, 2017.

COMPARISON OF 60 MONTH CUMULATIVE TOTAL RETURN
Among Archer Daniels Midland Company (ADM), the S&P 500 Index, and the S&P Consumer Staples

Item 6. SELECTED FINANCIAL DATA

Selected Financial Data
(In millions, except ratio and per share data)

	Years Ended December 31 2017	2016	2015	2014	2013
Revenues	$60,828	$62,346	$67,702	$81,201	$89,804
Depreciation	802	787	799	850	827
Net earnings attributable to controlling interests	1,595	1,279	1,849	2,248	1,342
Basic earnings per common share	2.80	2.18	2.99	3.44	2.03
Diluted earnings per common share	2.79	2.16	2.98	3.43	2.02
Cash dividends	730	701	687	624	501
Per common share	1.28	1.20	1.12	0.96	0.76
Working capital	7,355	7,872	8,324	10,426	12,872
Current ratio	1.6	1.6	1.6	1.7	1.8
Inventories	9,173	8,831	8,243	9,374	11,441
Net property, plant, and equipment	10,138	9,758	9,853	9,851	10,069
Gross additions to property, plant, and equipment	1,100	882	1,350	1,357	947
Total assets	39,963	39,769	40,157	43,997	43,720
Long-term debt, excluding current maturities	6,623	6,504	5,779	5,528	5,315
Shareholders' equity	18,322	17,181	17,915	19,630	20,194
Per common share	32.89	29.98	30.11	30.82	30.64
Weighted average shares outstanding-basic	569	588	618	653	661
Weighted average shares outstanding-diluted	572	591	621	656	663

Significant items affecting the comparability of the financial data shown above are as follows:

- Net earnings attributable to controlling interests for the year ended December 31, 2017 include gains totaling $22 million ($10 million after tax loss, equal to $0.02 per share) primarily related to the sale of the crop risk services business partially offset by an adjustment of the proceeds of the 2015 sale of the cocoa business; charges of $214 million ($144 million after tax, equal to $0.25 per share) consisting of asset impairments related to the reconfiguration of the Company's Peoria, Illinois ethanol complex, restructuring charges related to the reduction of certain positions within the Company's global workforce, several individually insignificant asset impairments and restructuring charges, and provisions for contingent losses related to certain settlement items; a debt extinguishment charge of $11 million ($7 million after tax, equal to $0.01 per share) related to the early redemption of the Company's $559 million notes due on March 15, 2018; and net tax benefits related to the Tax Cuts and Jobs Act and certain discrete tax adjustments totaling $366 million (equal to $0.64 per share).

Item 6. SELECTED FINANCIAL DATA (Continued)

- Net earnings attributable to controlling interests for the year ended December 31, 2016 include gains totaling $119 million ($100 million after tax, equal to $0.17 per share) primarily related to recovery of loss provisions and gains related to the sale of the Company's Brazilian sugar ethanol facilities, realized contingent consideration on the sale of the Company's equity investment in Gruma S.A. de C.V. in December 2012, and revaluation of the remaining interest to settlement value in conjunction with the acquisition of Amazon Flavors; a gain of $38 million ($24 million after tax, equal to $0.04 per share) related to a U.S. retiree medical benefit plan curtailment; charges of $117 million ($77 million after tax, equal to $0.13 per share) primarily related to legal fees and settlement, impairment of software, investments, and certain long-lived assets; a $10 million ($8 million after tax, equal to $0.02 per share) loss on sale of individually immaterial assets; and certain discrete tax adjustments totaling $24 million (equal to $0.04 per share) related to valuation allowances, deferred tax re-rates, and changes in assertion.

- Net earnings attributable to controlling interests for the year ended December 31, 2015 include gains totaling $530 million ($515 million after tax, equal to $0.83 per share) related primarily to the sale of the cocoa, chocolate, and lactic businesses, revaluation of the Company's previously held investments in North Star Shipping, Minmetal, and Eaststarch C.V. in conjunction with the acquisition of the remaining interests, and the sale of a 50% interest in the Barcarena export terminal facility in Brazil to Glencore plc; long-lived asset impairment charges of $129 million ($109 million after tax, equal to $0.18 per share) related primarily to certain international Oilseeds Processing facilities, sugar ethanol facilities in Brazil, and goodwill, intangible, and property, plant, and equipment asset impairments; restructuring and exit charges of $71 million ($63 million after tax, equal to $0.10 per share) related to an international pension plan settlement, sugar ethanol facilities in Brazil, and other restructuring charges; loss provisions, settlements, and inventory writedown of $67 million ($58 million after tax, equal to $0.09 per share); certain discrete tax adjustments totaling $60 million (equal to $0.10 per share) related to valuation allowances and deferred tax re-rates; and loss on debt extinguishment of $189 million ($118 million after tax, equal to $0.19 per share) related to the cash tender offers and redemption of certain of the Company's outstanding debentures.

- Net earnings attributable to controlling interests for the year ended December 31, 2014 include a gain on sale of assets related to the sale of the fertilizer business and other asset of $135 million ($89 million after tax, equal to $0.14 per share); gain of $156 million ($97 million after tax, equal to $0.15 per share) upon the Company's effective dilution in the Pacificor (formerly Kalama Export Company) joint venture resulting from the contribution of additional assets by another member in exchange for new equity units; and loss of $102 million ($63 million after tax, equal to $0.10 per share) on Euro foreign currency derivative contracts entered into to economically hedge the Wild Flavors acquisition; asset impairment charges related to certain fixed assets of $41 million ($26 million after tax, equal to $0.04 per share) and $64 million ($41 million after tax, equal to $0.06 per share) of costs related to the relocation of the global headquarters to Chicago, Illinois, and restructuring charges related to the Wild Flavors acquisition and Toepfer integration following the acquisition of the minority interest and other restructuring charges; a charge of $98 million ($61 million after tax, equal to $0.09 per share) related to pension settlements; and certain discrete tax adjustments of $15 million (equal to $0.02 per share) related to deferred tax re-rates.

- Net earnings attributable to controlling interests for the year ended December 31, 2013 include other-than-temporary impairment charges of $155 million ($155 million after tax, equal to $0.23 per share) on the Company's GrainCorp investment; asset impairment charges of $51 million ($51 million after tax, equal to $0.08 per share) related to the Company's Brazilian sugar milling business; and other impairment charges principally for certain property, plant and equipment assets totaling $53 million ($34 million after tax, equal to $0.05 per share); realized losses on Australian dollar currency hedges of $40 million ($25 million after tax, equal to $0.04 per share) related to the proposed GrainCorp acquisition; valuation allowance on certain deferred tax assets of $82 million (equal to $0.12 per share); income tax benefit recognized in the current period of $55 million (equal to $0.08 per share) related to biodiesel blending credits earned in the prior periods; charges of $54 million ($37 million after tax, equal to $0.06 per share) related to the FCPA settlement; and other charges of $18 million ($12 million after tax, equal to $0.02 per share).

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Company Overview

This MD&A should be read in conjunction with the accompanying consolidated financial statements.

The Company is principally engaged in procuring, transporting, storing, processing, and merchandising agricultural commodities, products, and ingredients. The Company uses its significant global asset base to originate and transport agricultural commodities, connecting to markets in more than 170 countries. The Company also processes corn, oilseeds, and wheat into products for food, animal feed, chemical and energy uses. The Company uses its global asset network, business acumen, and its relationships with suppliers and customers to efficiently connect the harvest to the home thereby generating returns for our shareholders, principally from margins earned on these activities.

The Company's operations are organized, managed, and classified into four reportable business segments: Agricultural Services, Corn Processing, Oilseeds Processing, and Wild Flavors and Specialty Ingredients. Each of these segments is organized based upon the nature of products and services offered. The Company's remaining operations are not reportable business segments, as defined by the applicable accounting standard, and are classified as Other. See Note 17 of Item 8 for more information about the Company's business segments.

The Company's recent significant portfolio actions and announcements include:

- the acquisition in February 2017 of Crosswind Industries, Inc., an industry leader in the manufacture of contract and private label pet treats and foods, as well as specialty ingredients;
- the acquisition in February 2017 of an 89% controlling interest in Biopolis SL, a leading provider of microbial technology with a strong portfolio of novel food ingredients, followed later in the year by a partnership with the Mayo Clinic to explore personalized nutrition applications including the effects of prebiotics and probiotics that may improve digestive health;
- the construction of a new feed-premix facility in Xiangtan, China, which is expected to be completed in 2019;
- the sale in May 2017 of the Company's crop risk services business to Validus Holdings, a global group of insurance and reinsurance companies;
- the completion in May 2017 of a series of major enhancements at the Company's export terminal in Santos, in the Brazilian state of Sao Paulo;
- the construction of a new flour mill in Mendota, Illinois, which is expected to be completed in 2019;
- the expansion of a Golden Peanut and Tree Nuts production facility in Blakely, Georgia, which is expected to be completed in 2018;
- the completion in June 2017 of a new silo located on the Danube River in Silistra, Bulgaria;
- the acquisition in June 2017 of Chamtor, a French producer of wheat-based sweeteners and starches;
- the acquisition in July 2017 of a 51% controlling interest in Industries Centers, an Israeli company specializing in the import and distribution of agricultural feed products, which is now known as ADM Israel;
- the modernization of the flour mill in Enid, Oklahoma, which is expected to be completed in 2018;
- the announcement in December 2017 of the sale of the Company's oilseeds operations in Bolivia to Inversiones Piuranas S.A., which is subject to regulatory approvals and is expected to close in the first half of 2018; and
- the announcement in January 2018 of a joint development agreement and Vland Biotech to develop and commercialize enzymes for animal feed.

As part of the implementation of the Company's strategic plan, the Company continues to evaluate the capital intensity of its operations and portfolio, seeking ways to reduce and redeploy capital in its efforts to reduce volatility of earnings and drive long-term returns.

Operating Performance Indicators

The Company’s agricultural services and oilseeds processing operations are principally agricultural commodity-based businesses where changes in selling prices move in relationship to changes in prices of the commodity-based agricultural raw materials. Therefore, changes in agricultural commodity prices have relatively equal impacts on both revenues and cost of products sold. Thus, changes in revenues of these businesses do not necessarily correspond to the changes in margins or gross profit.

Item 7. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

The Company’s corn processing operations and Wild Flavors and Specialty Ingredients businesses also utilize agricultural commodities (or products derived from agricultural commodities) as raw materials. However, in these operations, agricultural commodity market price changes do not necessarily correlate to changes in cost of products sold. Thus, changes in revenues of these businesses may correspond to changes in margins or gross profit.

The Company has consolidated subsidiaries in more than 80 countries. For the majority of the Company’s subsidiaries located outside the United States, the local currency is the functional currency. Revenues and expenses denominated in foreign currencies are translated into U.S. dollars at the weighted average exchange rates for the applicable periods. For the majority of the Company’s business activities in Brazil, the functional currency is the U.S. dollar; however, certain transactions, including taxes, occur in local currency and require remeasurement to the functional currency. Changes in revenues are expected to be correlated to changes in expenses reported by the Company caused by fluctuations in the exchange rates of foreign currencies, primarily the Euro, British pound, Canadian dollar, and Brazilian real, as compared to the U.S. dollar.

The Company measures its performance using key financial metrics including net earnings, segment operating profit, return on invested capital, EBITDA, economic value added, manufacturing expenses, and selling, general, and administrative expenses. The Company’s financial results can vary significantly due to changes in factors such as fluctuations in energy prices, weather conditions, crop plantings, government programs and policies, trade policies, changes in global demand, general global economic conditions, changes in standards of living, and global production of similar and competitive crops. Due to these unpredictable factors, the Company undertakes no responsibility for updating any forward-looking information contained within “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

Year Ended December 31, 2017 Compared to Year Ended December 31, 2016

As an agricultural commodity-based business, the Company is subject to a variety of market factors which affect the Company's operating results. In Agricultural Services, U.S. export competitiveness was strong during the first half of the year but weakened during the second half due to the large crops in South America. Overall low market volatility continued due to surplus in the global market. In Corn Processing, demand and prices for sweeteners and starches remained solid in North America while co-product prices were stable. Ethanol continues to face a challenging environment. Although ethanol demand remained strong both in North America and export markets due to favorable gasoline blending economics and ethanol's continuing status as a competitive octane enhancer, U.S. industry ethanol production also remained at high levels which limited margins. Global oilseeds processing volumes remained strong, but ample supply of competing proteins and abundance of Argentine meal and oil in world markets pressured margins. Slow selling by farmers in Brazil continues to depress grain origination margins despite strong export volumes. While demand and margins for refined oil remained solid across all regions, uncertainty surrounding the U.S. biodiesel tax credit has negatively impacted biodiesel margins. Wild Flavors and Specialty Ingredients benefited from strong demand for flavor ingredients and flavor systems, but continued to be adversely affected by start-up costs and margin pressure in certain non-flavor food ingredient markets.

Net earnings attributable to controlling interests increased $0.3 billion to $1.6 billion. Segment operating profit decreased $0.2 billion to $2.5 billion. Included in segment operating profit in the current year was a net charge of $134 million consisting of a net gain on sales of assets and businesses, impairment, restructuring, and settlement charges, and corn hedge timing effects. Included in segment operating profit in the prior year was income of $81 million consisting of a net gain on sales of assets and businesses/revaluation, impairment and restructuring charges, and corn hedge timing effects. Adjusted segment operating profit increased $47 million to $2.7 billion due to solid results in Corn Processing, partially offset by weaker South American origination margins, lower soybean crush margins, and weaker results in some specialty ingredients. Corporate results were a net expense of $927 million in the current year compared to $882 million in the prior year. Corporate results in the current year included a credit of $2 million from the effect of changes in agricultural commodity prices on LIFO inventory valuation reserves, compared to a charge of $19 million in the prior year.

Income taxes decreased $527 million due to lower earnings before income taxes and a lower effective tax rate. The Company’s effective tax rate for 2017 decreased to 0.4% compared to 29.3% for 2016 due primarily to the estimated impact of the Tax Cuts and Jobs Act (the “Act”). Excluding the impact of the Act, the Company's effective tax rate for 2017 would have decreased from 29.3% to approximately 24.0% due primarily to the impact of changes in discrete tax items, including the favorable resolution of an uncertain tax position related to a 2014 acquisition and return to provision adjustments in the current year, partially offset by changes in the geographic mix of pre-tax earnings and the expiration of U.S. tax credits, including the biodiesel credit, at the end of 2016 (see Note 13 in Item 8 for more information).

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Analysis of Statements of Earnings

Processed volumes by product for the years ended December 31, 2017 and 2016 are as follows (in metric tons):

(In thousands)	2017	2016	Change
Oilseeds	34,733	33,788	945
Corn	22,700	22,273	427
Total	57,433	56,061	1,372

The Company generally operates its production facilities, on an overall basis, at or near capacity, adjusting facilities individually, as needed, to react to the current margin environment and seasonal local supply and demand conditions. Processed volumes of oilseeds increased due to the strong demand environment for soybean meal and canola oil. The overall increase in corn is due to the strong demand environment for ethanol, partially offset by the production disruption in one of the Company's plants due to a water main break in the first quarter and the reconfiguration of the Company's Peoria, Illinois ethanol complex.

Revenues by segment for the years ended December 31, 2017 and 2016 are as follows:

(In millions)	2017	2016	Change
Agricultural Services			
Merchandising and Handling	$23,127	$24,609	$(1,482)
Milling and Other	2,910	3,060	(150)
Transportation	209	224	(15)
Total Agricultural Services	26,246	27,893	(1,647)
Corn Processing			
Sweeteners and Starches	4,253	4,028	225
Bioproducts	5,099	5,438	(339)
Total Corn Processing	9,352	9,466	(114)
Oilseeds Processing			
Crushing and Origination	14,091	13,976	115
Refining, Packaging, Biodiesel, and Other	8,169	7,880	289
Asia	270	296	(26)
Total Oilseeds Processing	22,530	22,152	378
Wild Flavors and Specialty Ingredients	2,313	2,427	(114)
Other	387	408	(21)
Total	$60,828	$62,346	$(1,518)

Revenues and cost of products sold in a commodity merchandising and processing business are affected by the underlying commodity prices and volumes. In periods of significant changes in commodity prices, the underlying performance of the Company is better evaluated by looking at margins since both revenues and cost of products sold, particularly in Oilseeds Processing and Agricultural Services, generally have a relatively equal impact from commodity price changes which generally result in an insignificant impact to gross profit.

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Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Revenues decreased $1.5 billion, or 2%, to $60.8 billion due to lower sales volumes ($1.4 billion) and lower average sales prices ($0.1 billion). The decrease in sales volumes was due principally to a decrease in volumes of unprocessed commodities, in particular volumes of soybeans, corn, rapeseed, and wheat. Agricultural Services revenues decreased 6% to $26.2 billion due to lower sales volumes ($1.5 billion) and lower average sales prices ($0.1 billion). Corn Processing revenues decreased 1% to $9.4 billion due to lower sales volumes ($0.1 billion). Oilseeds Processing revenues increased 2% to $22.5 billion due to higher sales volumes ($0.3 billion). Wild Flavors and Specialty Ingredients revenues decreased 5% to $2.3 billion due to lower sales volumes ($0.1 billion).

Cost of products sold decreased $1.4 billion to $57.3 billion due principally to lower sales volumes. Included in cost of products sold is a credit of $2 million from the effect of changes in agricultural commodity prices on LIFO inventory valuation reserves compared to a charge of $19 million in the prior year. Manufacturing expenses increased $0.1 billion to $5.2 billion due to increased expenses for energy, operating and maintenance supplies, and contracted labor, and higher salaries and benefits.

Gross profit decreased $0.1 billion, or 3%, to $3.5 billion. Lower results in soybean processing ($152 million) and grain origination ($90 million) were partially offset by higher results in canola processing ($41 million), sweeteners and starches ($71 million), and animal nutrition ($53 million). These factors are explained in the segment operating profit discussion on page 31. The effect of changes in agricultural commodity prices on LIFO inventory valuation reserves had a $2 million positive impact on gross profit compared to a negative impact of $19 million in the prior year.

Selling, general, and administrative expenses of $2.0 billion were comparable to the prior year. Current year expenses included increased salaries and benefits cost related to further investments in the Company's business transformation, IT, research and development, and innovation initiatives. Prior year expenses included expenses related to the settlement of a legal matter.

Asset impairment, exit, and restructuring costs increased $118 million to $173 million. Current year charges consisted of $63 million of asset impairments in the Corn Processing segment primarily related to the reconfiguration of the Company's Peoria, Illinois ethanol complex, $20 million of asset impairments in the Wild Flavors and Specialty Ingredients segment primarily related to the closure of a facility, $54 million of restructuring charges in Corporate primarily related to the reduction of certain positions within the Company's global workforce, and $36 million of several individually insignificant asset impairments and restructuring charges. Prior year charges included $11 million of software impairment in Corporate, $6 million of other-than-temporary impairment charges on the Company's investment in two available for sale equity securities in Corporate, and $17 million and $21 million of individually insignificant fixed asset impairment and restructuring charges, respectively.

Interest expense increased $37 million to $330 million primarily due to higher interest rates on short-term debt, the issuance of the $1 billion fixed-rate notes in August 2016, and interest related to an amended foreign income tax from a prior year, partially offset by the retirement of the $261 million bond that matured in April 2017. Interest expense in the prior year also included a credit of $8 million for the revaluation of the mandatorily redeemable 10% interest in Harvest Innovations.

Equity in earnings of unconsolidated affiliates increased $164 million to $456 million primarily due to higher earnings from the Company's investment in Wilmar resulting from the increased ownership stake in and higher results from Wilmar and improved results from the Company's equity investment in CIP, partially offset by losses from a new equity investment and decreased earnings resulting from the disposal of an equity investment.

Other income - net decreased $110 million to $37 million. Prior year income included realized additional consideration related to the sale of the Company's equity investment in Gruma S.A.B. de C.V. in December 2012, recovery of loss provisions and gain related to the sale of the Company's Brazilian sugar ethanol facilities, a gain related to the revaluation of the remaining interest to settlement value in conjunction with the acquisition of Amazon Flavors, and loss on sale of other individually immaterial assets. Current period income included gains related to the sale of the crop risk services business and disposals of other individually insignificant assets in the ordinary course of business, partially offset by an adjustment of the proceeds of the 2015 sale of the cocoa business, changes in contingent settlement provisions, a charge related to the full redemption of the Company's $559 million notes due March 15, 2018, and foreign exchange losses.

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Segment operating profit, adjusted segment operating profit (a non-GAAP measure), and earnings before income taxes for the year ended December 31, 2017 and 2016 are as follows:

Segment Operating Profit	2017	2016	Change
	(In millions)		
Agricultural Services			
Merchandising and Handling	$300	$228	$72
Milling and Other	199	226	(27)
Transportation	86	119	(33)
Total Agricultural Services	585	573	12
Corn Processing			
Sweeteners and Starches	746	655	91
Bioproducts	163	106	57
Total Corn Processing	909	761	148
Oilseeds Processing			
Crushing and Origination	241	386	(145)
Refining, Packaging, Biodiesel, and Other	272	344	(72)
Asia	328	150	178
Total Oilseeds Processing	841	880	(39)
Wild Flavors and Specialty Ingredients	284	275	9
Other	51	134	(83)
Specified Items:			
Gains on sales and businesses	22	114	(92)
Impairment, restructuring, and settlement charges	(160)	(32)	(128)
Hedge timing effects	4	(1)	5
Total Specified Items	(134)	81	(215)
Total Segment Operating Profit	$2,536	$2,704	$(168)
Adjusted Segment Operating Profit[1]	$2,670	$2,623	$47
Segment Operating Profit	$2,536	$2,704	$(168)
Corporate	(927)	(882)	(45)
Earnings Before Income Taxes	$1,609	$1,822	$(213)

[1] Adjusted segment operating profit is segment operating profit excluding the above specified items.

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Corporate results are as follows:

(In millions)	2017	2016	Change
LIFO credit (charge)	$2	$(19)	$ 21
Interest expense - net	(310)	(282)	(28)
Unallocated corporate costs	(470)	(457)	(13)
Other charges	(65)	(52)	(13)
Minority interest and other	(84)	(72)	(12)
Total Corporate	$(927)	$(882)	$ (45)

Agricultural Services operating profit increased 2%. Merchandising and Handling operating results increased due to improved Global Trade execution and strong destination marketing volume growth. Merchandising and Handling results also included a gain related to a confidential legal settlement, and a $42 million net recovery of property damage costs and business interruption losses related to the Company's New Orleans, Louisiana export facility. Milling and Other decreased due to lower volumes and margins. Transportation results decreased due to river conditions and lower barge freight volumes and margins.

Corn Processing operating profit increased 19%. Sweeteners and Starches operating profit increased due to improved domestic demand and higher volumes and margins from the international business. Bioproducts profit increased due to improved lysine margins and higher trading resuts, partially offset by lower volumes caused by a mild winter and slightly lower ethanol margins.

Oilseeds Processing operating profit decreased 4%. Crushing and Origination operating profit decreased from the prior year. Higher softseed results in North America and Europe were more than offset by weaker soybean crush margins due to ample supply of alternative proteins competing with soybean meal. In addition, improved South American soybean crushing results were more than offset by weak grain origination margins throughout the year. Refining, Packaging, Biodiesel, and Other operating profit declined due to weaker biodiesel and specialty oils margins partially offset by higher results in South American packaged oils and the global peanut business. Asia results increased on higher earnings from the Company's investment in Wilmar due to the increased ownership stake in and higher results from Wilmar.

Wild Flavors and Specialty Ingredients (WFSI) operating profit increased 3%. The continuing strong demand for flavor ingredients and flavor systems across all regions were partially offset by lower results in specialty ingredients, due in part to operational start-up costs.

Other operating profit decreased 62% primarily due to losses from the Company's captive insurance operations and lower results from its futures commission brokerage business. Current year results included settlement of insurance claims from the Company's Agricultural Services segment totaling $50 million related to the New Orleans, Louisiana export facility.

Corporate results were a net expense of $927 million in the current year compared to $882 million in the prior year. The effect of changes in agricultural commodity prices on LIFO inventory valuation reserves resulted in a credit of $2 million in the current year compared to a charge of $19 million in the prior year. Interest expense - net increased $28 million due principally to higher interest rates on short-term debt, the issuance of $1 billion fixed-rate debt in August 2016, and interest related to an amended foreign income tax return from a prior year, partially offset by the retirement of the $261 million bond that matured in April 2017 and the absence of the original Harvest Innovation adjustment of buy-out liability in May 2016. Unallocated corporate costs increased $13 million due principally to increased investments in the Company's business transformation, IT, research and development, and innovation initiatives partially offset by the absence of last year's railroad maintenance expense. Other charges in the current year included a charge related to the full redemption of the Company's $559 million notes due on March 15, 2018 and restructuring charges related to the reduction of certain positions within the Company's global workforce. Other charges in the prior year included legal settlement costs and legal fees, a software impairment charge, other-than-temporary impairment charges on the Company's investments in two available for sale equity securities, a loss on the sale of an investment, and other asset impairment and restructuring charges, partially offset by a gain related to a U.S. retiree medical benefit plan curtailment. Minority interest and other expense increased $12 million due principally to lower results from the Company's equity investment in CIP.

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Non-GAAP Financial Measures

The Company uses adjusted earnings per share (EPS), adjusted earnings before taxes, interest, and depreciation and amortization (EBITDA), and adjusted segment operating profit, non-GAAP financial measures as defined by the Securities and Exchange Commission, to evaluate the Company's financial performance. These performance measures are not defined by accounting principles generally accepted in the United States and should be considered in addition to, and not in lieu of, GAAP financial measures.

Adjusted EPS is defined as diluted EPS adjusted for the effects on reported diluted EPS of certain specified items. Adjusted EBITDA is defined as earnings before taxes, interest, and depreciation and amortization, adjusted for specified items. The Company calculates adjusted EBITDA by removing the impact of specified items and adding back the amounts of interest expense and depreciation and amortization to earnings before income taxes. Adjusted segment operating profit is segment operating profit adjusted, where applicable, for specified items.

Management believes that adjusted EPS, adjusted EBITDA, and adjusted segment operating profit are useful measures of the Company's performance because they provide investors additional information about the Company's operations allowing better evaluation of underlying business performance and better period-to-period comparability. Adjusted EPS, adjusted EBITDA, and adjusted segment operating profit are not intended to replace or be an alternative to diluted EPS, earnings before income taxes, and segment operating profit, respectively, the most directly comparable amounts reported under GAAP.

The table below provides a reconciliation of diluted EPS to adjusted EPS for the years ended December 31, 2017 and 2016.

	2017		2016	
	In millions	Per share	In millions	Per share
Average number of shares outstanding - diluted	572		591	
Net earnings and reported EPS (fully diluted)	$1,595	$2.79	$1,279	$2.16
Adjustments:				
LIFO charge (credit) (net of tax of $1 million in 2017 and $7 million in 2016) (1)	(1)	—	12	0.02
(Gains) Losses on sales and revaluation of assets and businesses (net of tax of $32 million in 2017 and $17 million in 2016) (2)	10	0.02	(92)	(0.15)
Asset impairment, restructuring, and settlement charges (net of tax of $70 million in 2017 and $40 million in 2016) (2)	144	0.25	77	0.13
Post-retirement benefit curtailment (net of tax of $14 million) (1)	—	—	(24)	(0.04)
Loss on debt extinguishment (net of tax of $4 million) (1)	7	0.01	—	—
Tax adjustments (3)	(366)	(0.64)	24	0.04
Adjusted net earnings and adjusted EPS	$1,389	$2.43	$1,276	$2.16

(1) Tax effected using the Company's U.S. tax rate.
(2) Tax effected using the applicable tax rates.
(3) Includes tax adjustments related to the 2017 U.S. Tax Cuts and Jobs Act.

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

The tables below provide a reconciliation of earnings before income taxes to adjusted EBITDA and adjusted EBITDA by segment for the years ended December 31, 2017 and 2016.

(In millions)	2017	2016	Change
Earnings before income taxes	$1,609	$1,822	$(213)
Interest expense	330	293	37
Depreciation and amortization	924	900	24
LIFO charge (credit)	(2)	19	(21)
Gains on sales and revaluation of assets and businesses	(22)	(109)	87
Asset impairment, restructuring, and settlement charges	214	117	97
Post-retirement benefit curtailment	—	(38)	38
Loss on debt extinguishment	11	—	11
Adjusted EBITDA	$3,064	$3,004	$60

(In millions)	2017	2016	Change
Agricultural Services	$785	$772	13
Corn Processing	1,273	1,114	159
Oilseeds Processing	1,047	1,078	(31)
Wild Flavors and Specialty Ingredients	379	365	14
Other - Financial	69	144	(75)
Corporate	(489)	(469)	(20)
Adjusted EBITDA	$3,064	$3,004	$60

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Year Ended December 31, 2016 Compared to Year Ended December 31, 2015

As an agricultural commodity-based business, the Company is subject to a variety of market factors which affect the Company's operating results. Agricultural Services was negatively impacted in the first half of the year 2016 by weak U.S. grain export competitiveness and decreased global merchandising opportunities. Starting in the third quarter, export volumes and margins improved due to the U.S. harvest and weather conditions in South America. In Corn Processing, global demand for sweeteners and starches and U.S. exports, principally to Mexico, continued to grow. In Europe, raw material costs improved, resulting in improved margins. Corn-based ethanol remained a very competitive transportation fuel, and domestic blending was strong as U.S. gasoline demand was up compared to 2015. U.S. ethanol also continued to be one of the cheapest oxygenates in the world, driving strong export volumes throughout 2016. Industry production levels remained high during the year, limiting margins. In Oilseeds Processing, global crushing operations achieved strong capacity utilization, although margins were weaker mainly due to higher supply of soybean meal from Argentina and other protein meal substitutes. Softseed margins improved due to better seed supply and oil demand. Vegetable oils continued to maintain a steady demand from the food industry. Additionally, vegetable oil sales volumes benefited from demand driven by the U.S. 2016 biodiesel blenders credit. The Wild Flavors and Specialty Ingredients business benefited from increased demand for flavor ingredients and flavor systems, specialty proteins, natural health and nutrition products and polyols, but was adversely impacted by soft market conditions in non-flavor food ingredient markets and a strong U.S. dollar, as well as operational issues at the specialty commodities unit.

Net earnings attributable to controlling interests decreased $0.6 billion to $1.3 billion. Segment operating profit decreased $0.6 billion to $2.7 billion, primarily due to the 2015 gain on sale of the global cocoa and chocolate businesses and lower earnings in the year 2016 due to the sale of those businesses, weaker global crushing and origination margins, and lower international merchandising results, partially offset by better ethanol results. Corporate results in the year 2016 included a charge of $19 million from the effect of changes in agricultural commodity prices on LIFO inventory valuation reserves, compared to a credit of $2 million in the prior year and a decrease of approximately $70 million in the Company's share of the results of Compagnie Industrielle et Financiere des Produits Amylaces SA (Luxembourg) (CIP).

Income taxes increased $96 million due to a higher effective tax rate partially offset by lower earnings before income taxes. The Company's effective tax rate for 2016 increased to 29.3% compared to 19.2% for 2015 due primarily to low tax rates on significant gains related to portfolio actions in 2015, a $71 million 2015 discrete tax benefit resulting mainly from the release of a $66 million valuation allowance compared to a $49 million discrete tax expense in 2016, and changes in the geographic mix of pretax earnings (see Note 13 in Item 8 for more information).

Analysis of Statements of Earnings

Processed volumes by product for the years ended December 31, 2016 and 2015 are as follows (in metric tons):

(In thousands)	2016	2015	Change
Oilseeds	33,788	33,817	(29)
Corn	22,273	23,126	(853)
Total	56,061	56,943	(882)

The Company generally operates its production facilities, on an overall basis, at or near capacity, adjusting facilities individually, as needed, to react to current margin environment and and seasonal local supply and demand conditions.

The overall decrease in corn relates to the disposal of the sugar ethanol operations in May 2016 partially offset by volumes from the acquisition of Eaststarch C.V. in November 2015.

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Revenues by segment for the years ended December 31, 2016 and 2015 are as follows:

(In millions)	2016	2015	Change
Agricultural Services			
Merchandising and Handling	$24,609	$25,957	$(1,348)
Milling and Other	3,060	3,479	(419)
Transportation	224	246	(22)
Total Agricultural Services	27,893	29,682	(1,789)
Corn Processing			
Sweeteners and Starches	4,028	3,713	315
Bioproducts	5,438	6,282	(844)
Total Corn Processing	9,466	9,995	(529)
Oilseeds Processing			
Crushing and Origination	13,976	15,597	(1,621)
Refining, Packaging, Biodiesel, and Other	7,880	9,364	(1,484)
Asia	296	256	40
Total Oilseeds Processing	22,152	25,217	(3,065)
Wild Flavors and Specialty Ingredients	2,427	2,407	20
Other	408	401	7
Total	$62,346	$67,702	$(5,356)

Revenues and cost of products sold in a commodity merchandising and processing business are affected by the underlying commodity prices and volumes. In periods of significant changes in commodity prices, the underlying performance of the Company is better evaluated by looking at margins since both revenues and cost of products sold, particularly in Oilseeds Processing and Agricultural Services, generally have a relatively equal impact from commodity price changes which generally result in an insignificant impact to gross profit.

Revenues decreased $5.4 billion, or 8%, to $62.3 billion due to lower average sales prices ($3.5 billion), including $0.6 billion in foreign currency translation impacts, and lower overall sales volumes ($1.9 billion). The decrease in sales prices was due principally to lower underlying agricultural commodity prices, in particular prices of corn, soybeans, and soybean-related products. The decrease in sales volumes was due principally to the sale of the cocoa business and decreased sales volumes of ethanol and South American grain and oilseed origination. Agricultural Services revenues decreased 6% to $27.9 billion due to lower average sales prices ($2.5 billion) partially offset by higher sales volumes ($0.7 billion). Corn Processing revenues decreased 5% to $9.5 billion due to lower sales volumes ($0.5 billion) due principally to ethanol and the sale of the sugar ethanol business partially offset by sales volumes from the acquisition of Eaststarch C.V. Oilseeds Processing revenues decreased 12% to $22.2 billion due to lower average sales prices ($0.8 billion) and lower sales volumes ($2.3 billion) principally due to South American grains and oilseeds and the sale of the cocoa business. WFSI revenues were flat due to lower average sales prices ($0.2 billion) which were offset by higher sales volumes ($0.2 billion).

Cost of products sold decreased $5.0 billion to $58.7 billion due principally to lower average commodity costs, including $0.6 billion in foreign currency translation impacts, and lower manufacturing costs. Included in cost of products sold is a charge of $19 million from the effect of changes in agricultural commodity prices on LIFO inventory valuation reserves compared to a credit of $2 million in the prior year. Manufacturing expenses decreased $0.2 billion to $5.2 billion primarily due to the sale of the cocoa business, lower energy usage and prices, and decreased repairs and maintenance expenses.

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Gross profit decreased $0.3 billion, or 9%, to $3.6 billion. The decrease in gross profit consisted principally of lower soy crush margins ($309 million), reduced merchandising results ($95 million) primarily due to Agricultural Services global trade execution and positioning losses, lower volumes and freight rates in barge operations ($24 million), the sale of the cocoa business in 2015 ($78 million), partially offset by contribution of the recent Eaststarch C.V. acquisition ($85 million), and higher results in sweeteners and starches ($169 million). These factors are explained in the segment operating profit discussion on page 38. The effect of changes in agricultural commodity prices on LIFO inventory valuation reserves had a $19 million negative impact on gross profit compared to a positive impact of $2 million in 2015. The decrease in underlying commodity prices did not result in a significant decrease in margins or gross profit as lower underlying commodity prices had a relatively equal impact on revenues and cost of products sold.

Selling, general, and administrative expenses of $2.0 billion were comparable to 2015. Decreased expenses related to the sale of the cocoa business and a U.S. retiree medical benefit plan curtailment gain were offset by legal settlements, costs, and legal fees, increased transaction fees due to increased trading volume from the brokerage business, and expenses for the recently consolidated Eaststarch C.V.

Asset impairment, exit, and restructuring costs decreased $145 million to $55 million. Charges in 2015 included long-lived asset impairments of $129 million related to certain Oilseeds Processing facilities, sugar ethanol facilities in Brazil, a facility in the Corn Processing segment, and capitalized software costs and restructuring and exit costs of $71 million related principally to an international pension plan settlement, sugar ethanol facilities in Brazil, and several individually insignificant restructuring and exit costs. Charges in 2016 included $11 million of software impairment in Corporate, $6 million of other-than-temporary impairment charges on the Company's investment in two available for sale equity securities in Corporate, and $17 million and $21 million of individually insignificant fixed asset impairment and restructuring charges, respectively.

Interest expense declined $15 million to $293 million primarily due to lower interest rates on long-term debt and the $8 million effect of the revaluation of the mandatorily redeemable 10% interest in Harvest Innovations.

Equity in earnings of unconsolidated affiliates decreased $98 million to $292 million primarily due to lower earnings from the Company's investments in Wilmar and CIP and a decrease in equity earnings from Eaststarch C.V. which is now fully consolidated following the acquisition of the remaining interest in November 2015, partially offset by increased earnings from other equity investees.

Other income - net decreased $203 million to $147 million. Income in 2015 consisted primarily of gain on sales of $256 million related primarily to the sale of the cocoa, chocolate, and lactic businesses, a gain of $212 million on the revaluation of the Company's previously held equity investments in North Star Shipping, Minmetal, and Eaststarch C.V. in conjunction with the acquisition of the remaining interests, and a gain of $62 million on the sale of a 50% interest in the Barcarena export terminal facility in Brazil to Glencore plc, partially offset by a $189 million loss on debt extinguishment related to the repurchase of outstanding debt and loss provisions of $45 million related to sugar ethanol facilities in Brazil. Income in 2016 included $48 million of realized additional consideration related to the sale of the Company's equity investment in Gruma S.A.B. de C.V. in December 2012, a $59 million gain, including recovery of loss provisions, related to the sale of the Company's Brazilian sugar ethanol facilities, a $12 million gain related to the revaluation of the remaining interest to settlement value in conjunction with the acquisition of Amazon Flavors, and a $10 million loss on sale of other individually immaterial assets.

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Operating profit by segment and earnings before income taxes for the year ended December 31, 2016 and 2015 are as follows:

Segment Operating Profit	2016	2015	Change
	(In millions)		
Agricultural Services			
Merchandising and Handling	$228	$305	$(77)
Milling and Other	226	244	(18)
Transportation	119	135	(16)
Total Agricultural Services	573	684	(111)
Corn Processing			
Sweeteners and Starches	655	457	198
Bioproducts	106	149	(43)
Total Corn Processing	761	606	155
Oilseeds Processing			
Crushing and Origination	386	793	(407)
Refining, Packaging, Biodiesel, and Other	344	308	36
Asia	150	188	(38)
Total Oilseeds Processing	880	1,289	(409)
Wild Flavors and Specialty Ingredients	275	289	(14)
Other	134	56	78
Specified Items:			
Gains (losses) on sales and businesses	114	530	(416)
Impairment, restructuring, and exit charges	(32)	(214)	182
Hedge timing effects	(1)	32	(33)
Total Specified Items	81	348	(267)
Total Segment Operating Profit	2,704	3,272	(568)
Adjusted Segment Operating Profit[(1)]	2,623	2,924	(301)
Segment Operating Profit	2,704	3,272	(568)
Corporate	(882)	(988)	106
Earnings Before Income Taxes	$1,822	$2,284	$(462)

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Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Corporate results are as follows:

(In millions)	2016	2015	Change
LIFO credit (charge)	$(19)	$2	$ (21)
Interest expense - net	(282)	(297)	15
Unallocated corporate costs	(457)	(433)	(24)
Other charges	(52)	(242)	190
Minority interest and other	(72)	(18)	(54)
Total Corporate	$(882)	$(988)	$ 106

Agricultural Services operating profit decreased 16%. Merchandising and Handling operating results declined primarily due to compressed grain handling margins in the first half of 2016. International merchandising results were down driven by poor execution and low market volatility which limited forward merchandising opportunities partially offset by strong origination results in Argentina and the addition of destination marketing in Egypt through the Company's Medsofts joint venture. Milling and Other results decreased 7% due to lower grain and feed margins. Transportation operating profit declined due to weak barge demand and lower freight rates.

Corn Processing operating profit increased 26%. Sweeteners and Starches operating profit increased as the business continued to perform well with higher volumes and pricing and improved margins from optimizing flex grind in the Company's corn wet mills. The integration of the Eaststarch C.V. and Morocco acquisitions has progressed smoothly, significantly exceeding the Company's earnings accretion target. Bioproducts profit declined as weak ethanol margins continued due to high industry inventory levels.

Oilseeds Processing operating profit decreased 32%. Crushing and Origination operating profit declined driven primarily by lower global soy crush margins which were high in 2015, lower South American grain origination results caused by smaller soybean and corn crops in the region and year-over-year slower farmer-selling, partially offset by strong softseed volumes and margins in North America. Refining, Packaging, Biodiesel, and Other results improved due to good demand and improved margins for refined and packaged oils and improved European biodiesel results. Asia results declined due primarily to equity losses of $48 million from the Company's investment in Wilmar that was recorded in the Company's results in the third quarter of 2016.

Wild Flavors and Specialty Ingredients (WFSI) operating profit decreased 5% due to weaker sales of hydrocolloids and fibers, a short edible beans crop impacting volumes and costs, and operational issues at the specialty commodities unit, partially offset by strong results in flavors and systems, polyols, and natural health and nutrition products.

Other operating profit increased on higher volumes from the Company's futures commission brokerage business and improved results from its captive insurance operations.

Corporate results were a net expense of $882 million in 2016 compared to $988 million in the prior year. The effect of changes in agricultural commodity prices on LIFO inventory valuation reserves resulted in a charge of $19 million in 2016 compared to a credit of $2 million in the prior year. Interest expense - net declined $15 million due principally to lower interest rates on long-term debt and the effect of the revaluation of the mandatorily redeemable 10% interest in Harvest Innovations. Unallocated corporate costs increased $24 million due primarily to increased spending on the Company's ERP program and various strategic business improvement projects. Other charges in 2016 included legal settlement costs and legal fees, a software impairment charge, other-than-temporary impairment charges on the Company's investments in two available for sale equity securities, a loss on the sale of an investment, and other asset impairment and restructuring charges, partially offset by a gain related to a U.S. retiree medical benefit plan curtailment. Other charges in 2015 consisted of the $189 million loss on debt extinguishment related to the repurchase of outstanding debt, restructuring charges of $29 million related principally to an international pension plan settlement, and asset impairment and settlement charges of $24 million. The increase in minority interest and other expense is due to a decrease of approximately $70 million in the Company’s share of the results of CIP.

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Non-GAAP Financial Measures

The Company uses adjusted earnings per share (EPS), adjusted earnings before taxes, interest, and depreciation and amortization (EBITDA), and adjusted segment operating profit, non-GAAP financial measures as defined by the Securities and Exchange Commission, to evaluate the Company's financial performance. These performance measures are not defined by accounting principles generally accepted in the United States and should be considered in addition to, and not in lieu of, GAAP financial measures.

Adjusted EPS is defined as diluted EPS adjusted for the effects on reported diluted EPS of certain specified items. Adjusted EBITDA is defined as earnings before taxes, interest, and depreciation and amortization, adjusted for specified items. The Company calculates adjusted EBITDA by removing the impact of specified items and adding back the amounts of interest expense and depreciation and amortization to earnings before income taxes. Adjusted segment operating profit is segment operating profit adjusted, where applicable, for specified items.

Management believes that adjusted EPS, adjusted EBITDA, and adjusted segment operating profit are useful measures of the Company's performance because they provide investors additional information about the Company's operations allowing better evaluation of underlying business performance and better period-to-period comparability. Adjusted EPS, adjusted EBITDA, and adjusted segment operating profit are not intended to replace or be an alternative to diluted EPS, earnings before income taxes, and segment operating profit, respectively, the most directly comparable amounts reported under GAAP.

The table below provides a reconciliation of diluted EPS to adjusted EPS for the years ended December 31, 2016 and 2015.

	2016		2015	
	In millions	Per share	In millions	Per share
Average number of shares outstanding - diluted	591		621	
Net earnings and reported EPS (fully diluted)	$1,279	$2.16	$1,849	$2.98
Adjustments:				
LIFO charge (credit) (net of tax of $7 million in 2016 and $1 million in 2015) (1)	12	0.02	(1)	—
Gain on sale and revaluation of assets (net of tax of $17 million in 2016 and $15 million in 2015) (2)	(92)	(0.15)	(515)	(0.83)
Asset impairment, restructuring, exit, and settlement charges (net of tax of $40 million in 2016 and $37 million in 2015) (2)	77	0.13	230	0.37
Post-retirement benefit curtailment (net of tax of $14 million) (1)	(24)	(0.04)	—	—
Loss on debt extinguishment (net of tax of $71 million) (1)	—	—	118	0.19
Certain discrete tax adjustments	24	0.04	(60)	(0.10)
Adjusted net earnings and and adjusted EPS	$1,276	$2.16	$1,621	$2.61

(1) Tax effected using the Company's U.S. effective tax rate.
(2) Tax effected using the U.S. and other applicable tax rates.

Item 7. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

The tables below provide a reconciliation of earnings before income taxes to adjusted EBITDA and adjusted EBITDA by segment for the years ended December 31, 2016 and 2015.

(In millions)	2016	2015	Change
Earnings before income taxes	$1,822	$2,284	$(462)
Interest expense	293	308	(15)
Depreciation and amortization	900	873	27
LIFO charge (credit)	19	(2)	21
Gain on sale and revaluation of assets	(109)	(530)	421
Asset impairment, restructuring, and settlement charges	117	267	(150)
Post-retirement benefit curtailment	(38)	—	(38)
Loss on debt extinguishment	—	189	(189)
Adjusted EBITDA	$3,004	$3,389	$(385)

(In millions)	2016	2015	Change
Agricultural Services	772	880	(108)
Corn Processing	1,114	930	184
Oilseeds Processing	1,078	1,532	(454)
Wild Flavors and Specialty Ingredients	365	381	(16)
Other - Financial	144	64	80
Corporate	(469)	(398)	(71)
Adjusted EBITDA	$3,004	$3,389	$(385)

Liquidity and Capital Resources

A Company objective is to have sufficient liquidity, balance sheet strength, and financial flexibility to fund the operating and capital requirements of a capital intensive agricultural commodity-based business. The Company’s strategy involves expanding the volume and diversity of crops that it merchandises and processes, expanding the global reach of its core model, and expanding its value-added product portfolio. The Company depends on access to credit markets, which can be impacted by its credit rating and factors outside of the Company’s control, to fund its working capital needs and capital expenditures. The primary source of funds to finance the Company’s operations, capital expenditures, and advancement of its growth strategy is cash generated by operations and lines of credit, including a commercial paper borrowing facility. In addition, the Company believes it has access to funds from public and private equity and debt capital markets in both U.S. and international markets.

Cash provided by operating activities was $2.2 billion for 2017 compared to $1.6 billion in 2016. Working capital changes increased cash by $0.3 billion in the current year compared to a decrease of $0.5 billion in the prior year. Trade receivables decreased $0.1 billion due to lower revenues and higher receivables sold under the accounts receivable securitization programs. Inventories increased $0.1 billion due to higher prices. The Company made a voluntary contribution to the U.S. pension plans of $0.2 billion in 2016. Cash used in investing activities was $0.9 billion this year compared to $1.2 billion last year. Capital expenditures and net assets of businesses acquired were $1.2 billion this year compared to $1.0 billion last year. Proceeds from the sale of businesses and assets of $0.2 billion in the current year were comparable to the prior year. Sales of marketable securities, net of purchases, were $0.4 billion this year compared to $0.3 billion last year. Investments in and advances to affiliates included additional investments in Wilmar of $0.3 billion this year compared to $0.6 billion last year. Cash used in financing activities was $1.0 billion this year compared to $0.6 billion last year. Long-term debt borrowings in the current year related to the $0.5 billion notes issued on September 14, 2017 compared to the prior year's $1.0 billion notes issued on August

11, 2016. Long-term debt payments in the current year of $0.8 billion primarily related to the full redemption of the $559 million notes due in 2018 and the retirement of the $261 million bond that matured in April 2017. The Company issued $0.5 billion notes in the current year for general corporate expenses and to pay down commercial paper borrowings. Commercial paper borrowings in the current year were $0.7 billion compared to $0.1 billion in the prior year. Share repurchases were $0.8 billion in the current year compared to $1.0 billion in the prior year.

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

At December 31, 2017, the Company had $0.8 billion of cash, cash equivalents, and short-term marketable securities and a current ratio, defined as current assets divided by current liabilities, of 1.6 to 1. Included in working capital is $5.9 billion of readily marketable commodity inventories. At December 31, 2017, the Company's capital resources included shareholders' equity of $18.3 billion and lines of credit, including the accounts receivable securitization programs described below, totaling $7.7 billion, of which $5.5 billion was unused. The Company's ratio of long-term debt to total capital (the sum of long-term debt and shareholders' equity) was 27% at December 31, 2017 and 2016. The Company uses this ratio as a measure of the Company's long-term indebtedness and an indicator of financial flexibility. The Company's ratio of net debt (the sum of short-term debt, current maturities of long-term debt, and long-term debt less the sum of cash and cash equivalents and short-term marketable securities) to capital (the sum of net debt and shareholders' equity) was 27% at December 31, 2017 and 26% at December 31, 2016. Of the Company's total lines of credit, $5.0 billion support a commercial paper borrowing facility, against which there was $0.7 billion of commercial paper outstanding at December 31, 2017.

As of December 31, 2017, the Company had $0.8 billion of cash and cash equivalents, $0.4 billion of which is cash held by foreign subsidiaries whose undistributed earnings are considered indefinitely reinvested. Based on the Company's historical ability to generate sufficient cash flows from its U.S. operations and unused and available U.S. credit capacity of $4.5 billion, the Company has asserted that these funds are indefinitely reinvested outside the U.S.

The Tax Cuts and Jobs Act (the "Act"), which was enacted on December 22, 2017, reduces the U.S. federal corporate tax rate from 35% to 21% and provides for a one-time transition tax on untaxed accumulated foreign earnings. As a result, the Company recorded a transition tax liability of $270 million as of December 31, 2017 and expects to pay an estimated $43 million of this amount in 2018 (see contractual obligations and other commitments table in Item 7). In addition, due to the passage of the Act, the Company expects its effective tax rate before discrete item items to be between 20% to 23% in 2018.

The Company has accounts receivable securitization programs (the "Programs") with certain commercial paper conduit purchasers and committed purchasers. The Programs provide the Company with up to $1.6 billion in funding against accounts receivable transferred into the Programs and expands the Company's access to liquidity through efficient use of its balance sheet assets (see Note 19 in Item 8 for more information and disclosures on the Programs). As of December 31, 2017, the Company utilized $1.4 billion of its facility under the Programs.

On November 5, 2014, the Company's Board of Directors approved a stock repurchase program authorizing the Company to repurchase up to 100,000,000 shares of the Company's common stock during the period commencing January 1, 2015 and ending December 31, 2019. The Company has acquired approximately 86.2 million shares under this program as of December 31, 2017.

The Company expects capital expenditures of $0.8 billion during 2018. In 2018, the Company expects additional cash outlays of approximately $0.8 billion in dividends.

The Company's credit facilities and certain debentures require the Company to comply with specified financial and non-financial covenants including maintenance of minimum tangible net worth as well as limitations related to incurring liens, secured debt, and certain other financing arrangements. The Company was in compliance with these covenants as of December 31, 2017.

The three major credit rating agencies have maintained the Company's credit ratings at solid investment grade levels with stable outlooks.

Contractual Obligations

In the normal course of business, the Company enters into contracts and commitments which obligate the Company to make payments in the future. The following table sets forth the Company's significant future obligations by time period. Purchases include commodity-based contracts entered into in the normal course of business, which are further described in Item 7A, "Quantitative and Qualitative Disclosures About Market Risk," energy-related purchase contracts entered into in the normal course of business, and other purchase obligations related to the Company's normal business activities. The following table does not include unrecognized income tax benefits of $56 million as of December 31, 2017 as the Company is unable to reasonably estimate the timing of settlement. Where applicable, information included in the Company's consolidated financial statements and notes is cross-referenced in this table.

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Contractual Obligations and Other Commitments	Item 8 Note Reference	Total	Payments Due by Period Less than 1 Year	1 - 3 Years	3 - 5 Years	More than 5 Years
		(In millions)				
Purchases						
Inventories		$8,751	$7,934	$815	$2	$—
Energy		467	250	172	45	—
Other		313	191	57	11	54
Total purchases		9,531	8,375	1,044	58	54
Short-term debt		857	857	—	—	—
Long-term debt	Note 10	6,636	13	632	678	5,313
Estimated interest payments		5,073	281	547	492	3,753
One-time transition tax		270	43	43	62	122
Operating leases	Note 14	822	217	271	156	178
Estimated pension and other postretirement plan contributions [(1)]	Note 15	141	40	24	23	54
Total		$23,330	$9,826	$2,561	$1,469	$9,474

[(1)] Includes pension contributions of $28 million for fiscal 2018. The Company is unable to estimate the amount of pension contributions beyond fiscal year 2018. For more information concerning the Company's pension and other postretirement plans, see Note 15 in Item 8.

At December 31, 2017, the Company estimates it will spend approximately $1.6 billion through fiscal year 2022 to complete currently approved capital projects which are not included in the table above.

The Company also has outstanding letters of credit and surety bonds of $1.2 billion at December 31, 2017 which are not included in the table above.

The Company has entered into agreements, primarily debt guarantee agreements related to equity-method investees, which could obligate the Company to make future payments. The Company's liability under these agreements arises only if the primary entity fails to perform its contractual obligation. The Company has collateral for a portion of these contingent obligations.

Off Balance Sheet Arrangements

Accounts Receivable Securitization Programs

Since March 2012, the Company has had an accounts receivable securitization program with certain commercial paper conduit purchasers and committed purchasers. In March 2014, the Company entered into a second accounts receivable securitization program with certain commercial paper conduit purchasers and committed purchasers. See Note 19 of Item 8 for more information about these programs.

Synthetic Leasing Program

The Company is a party to lease agreements under synthetic leasing programs for certain of its U.S. barge and trucking assets for periods ranging from 5 to 7 years. As of December 31, 2017, outstanding lease balances, including the value of the underlying assets of $164 million, were off-balance sheet. These agreements provide the Company with the right to use these assets for specified periods in exchange for an obligation to make rental payments. The agreements are accounted for as operating leases, such that the rent expense is recorded in the consolidated statement of earnings. The future lease payments pertaining to these lease agreements are included in the contractual obligations table in Item 7. These leasing programs are utilized primarily to diversify funding sources and to retain flexibility. The Company recorded $10 million of rent expense pertaining to synthetic lease payments for year ended December 31, 2017 and $5 million for each of the years ended December 31, 2016 and 2015.

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Critical Accounting Policies

The process of preparing financial statements requires management to make estimates and judgments that affect the carrying values of the Company's assets and liabilities as well as the recognition of revenues and expenses. These estimates and judgments are based on the Company's historical experience and management's knowledge and understanding of current facts and circumstances. Certain of the Company's accounting policies are considered critical, as these policies are important to the depiction of the Company's financial statements and require significant or complex judgment by management. Management has discussed with the Company's Audit Committee the development, selection, disclosure, and application of these critical accounting policies. Following are the accounting policies management considers critical to the Company's financial statements.

Fair Value Measurements - Inventories and Commodity Derivatives

Certain of the Company's inventory and commodity derivative assets and liabilities as of December 31, 2017 are valued at estimated fair values, including $4.9 billion of merchandisable agricultural commodity inventories, $0.4 billion of derivative assets, $0.5 billion of derivative liabilities, and $0.7 billion of inventory-related payables. Commodity derivative assets and liabilities include forward fixed-price purchase and sale contracts for agricultural commodities. Merchandisable agricultural commodities are freely traded, have quoted market prices, and may be sold without significant additional processing. Management estimates fair value for its commodity-related assets and liabilities based on exchange-quoted prices, adjusted for differences in local markets. The Company's inventory and derivative commodity fair value measurements are mainly based on observable market quotations without significant adjustments and are therefore reported as Level 2 within the fair value hierarchy. Level 3 fair value measurements of approximately $1.6 billion of assets and $0.1 billion of liabilities represent fair value estimates where unobservable price components represent 10% or more of the total fair value price. For more information concerning amounts reported as Level 3, see Note 3 in Item 8. Changes in the market values of these inventories and commodity contracts are recognized in the statement of earnings as a component of cost of products sold. If management used different methods or factors to estimate market value, amounts reported as inventories and cost of products sold could differ materially. Additionally, if market conditions change subsequent to year-end, amounts reported in future periods as inventories and cost of products sold could differ materially.

Derivatives – Designated Hedging Activities

The Company, from time to time, uses derivative contracts designated as cash flow hedges to hedge the purchase price of anticipated volumes of commodities to be purchased and processed in a future month, to hedge the purchase price of the Company's anticipated natural gas requirements for certain production facilities, and to hedge the sales price of anticipated volumes of ethanol. These designated hedging programs principally relate to the Company's Corn Processing operating segment. Assuming normal market conditions, the change in the market value of such derivative contracts has historically been, and is expected to continue to be, highly effective at offsetting changes in price movements of the hedged item. Gains and losses arising from open and closed hedging transactions are deferred in accumulated other comprehensive income, net of applicable income taxes, and recognized as a component of cost of products sold and revenues in the statement of earnings when the hedged item is recognized. If it is determined that the derivative instruments used are no longer effective at offsetting changes in the price of the hedged item, then the changes in the market value of these exchange-traded futures and exchange-traded and over-the-counter option contracts would be recorded immediately in the statement of earnings as a component of revenues and/or cost of products sold. See Note 4 in Item 8 for additional information.

Investments in Affiliates

The Company applies the equity method of accounting for investments over which the Company has the ability to exercise significant influence. These investments are carried at cost plus equity in undistributed earnings and are adjusted, where appropriate, for amortizable basis differences between the investment balance and the underlying net assets of the investee. Generally, the minimum ownership threshold for asserting significant influence is 20% ownership of the investee. However, the Company considers all relevant factors in determining its ability to assert significant influence including but not limited to, ownership percentage, board membership, customer and vendor relationships, and other arrangements. If management used a different accounting method for these investments, then the amount of earnings from affiliates the Company recognizes may materially differ.

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Income Taxes

The Company accounts for its income tax positions in accordance with the applicable accounting standards. These standards prescribe a minimum threshold a tax position is required to meet before being recognized in the consolidated financial statements. The Company recognizes in its consolidated financial statements tax positions determined more likely than not to be sustained upon examination, based on the technical merits of the position. The Company frequently faces challenges from U.S. and foreign tax authorities regarding the amount of taxes due. These challenges include questions regarding the timing and amount of deductions and the allocation of income among various tax jurisdictions. In evaluating the exposure associated with various tax filing positions, the Company records reserves for estimates of potential additional tax owed by the Company. For example, the Company has received tax assessments from tax authorities in Brazil and Argentina, challenging income tax positions taken by subsidiaries of the Company. The Company evaluated its tax positions for these matters and concluded, based in part upon advice from legal counsel, that it was appropriate to recognize the tax benefits of these positions (see Note 13 in Item 8 for additional information).

Deferred tax assets represent items to be used as tax deductions or credits in future tax returns where the related tax benefit has already been recognized in the Company's income statement. The realization of the Company's deferred tax assets is dependent upon future taxable income in specific tax jurisdictions, the timing and amount of which are uncertain. The Company evaluates all available positive and negative evidence including estimated future reversals of existing temporary differences, projected future taxable income, tax planning strategies, and recent financial results. Valuation allowances related to these deferred tax assets have been established to the extent the realization of the tax benefit is not likely. During 2017, the Company increased valuation allowances by approximately $48 million primarily related to certain foreign capital losses incurred and state tax credit utilization limitations. To the extent the Company were to favorably resolve matters for which valuation allowances have been established or be required to pay amounts in excess of the aforementioned valuation allowances, the Company's effective tax rate in a given financial statement period may be impacted.

Undistributed earnings of the Company's foreign subsidiaries and the Company's share of the undistributed earnings of affiliated corporate joint venture companies accounted for on the equity method amounting to approximately $9.4 billion at December 31, 2017, are considered to be indefinitely reinvested. The Tax Cuts and Jobs Act, which was enacted on December 22, 2017, reduces the U.S. federal corporate rate from 35% to 21% and provides for a one-time transition tax on untaxed accumulated foreign earnings. As a result, the Company recorded a provisional amount for the one-time transition tax liability of $149 million, net of foreign tax credits and prior year accruals of deferred tax liabilities on unremitted earnings not deemed to be indefinitely reinvested. The one-time transition tax is based on the Company's total post-1986 earnings and profits (E&P) previously deferred from U.S. income taxes. The Company has not yet finalized its calculation of the total post-1986 E&P for these foreign subsidiaries. Further, the transition tax is based in part on the amount of those earnings held in cash and other specified assets. This amount may change when the calculation of post-1986 foreign E&P previously deferred from U.S. federal taxation and the amounts held in cash or other specified assets are finalized and is subject to further refinement if further guidance is issued by federal and state taxing authorities. The Company has elected to pay the one-time transition tax over eight years. No additional income taxes have been provided for any remaining undistributed foreign earnings not subject to the transition tax or any additional outside basis difference inherent in these entities, as these amounts continue to be indefinitely reinvested in foreign operations. It is not practicable to determine the amount of unrecognized deferred tax liability related to any remaining undistributed foreign earnings not subject to the transition tax and additional outside basis difference in these entities.

The Act also contains new provisions related to Global Intangible Low Taxed Income (GILTI). The Company is currently refining its estimate of GILTI and will update the estimate for any additional guidance on the accounting for the effects of the GILTI provisions. The Company has not made an accounting policy election at this time.

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Property, Plant, and Equipment and Asset Abandonments and Write-Downs

The Company is principally engaged in the business of procuring, transporting, storing, processing, and merchandising agricultural commodities and products. This business is global in nature and is highly capital-intensive. Both the availability of the Company's raw materials and the demand for the Company's finished products are driven by factors such as weather, plantings, government programs and policies, changes in global demand, changes in standards of living, and global production of similar and competitive crops. These aforementioned factors may cause a shift in the supply/demand dynamics for the Company's raw materials and finished products. Any such shift will cause management to evaluate the efficiency and cash flows of the Company's assets in terms of geographic location, size, and age of its facilities. The Company, from time to time, will also invest in equipment, technology, and companies related to new, value-added products produced from agricultural commodities and products. These new products are not always successful from either a commercial production or marketing perspective. Management evaluates the Company's property, plant, and equipment for impairment whenever indicators of impairment exist. Assets are written down to fair value after consideration of the ability to utilize the assets for their intended purpose or to employ the assets in alternative uses or sell the assets to recover the carrying value. If management used different estimates and assumptions in its evaluation of these assets, then the Company could recognize different amounts of expense over future periods. During the years ended December 31, 2017, 2016, and 2015, impairment charges for property, plant, and equipment were $101 million, $17 million, and $108 million, respectively (see Note 18 in Item 8 for additional information).

Business Combinations

The Company's acquisitions are accounted for as purchases in accordance with Accounting Standards Codification (ASC) Topic 805, Business Combinations, as amended. Assets acquired and liabilities assumed, based on preliminary purchase price allocations, are recorded at fair values at acquisition date with the remainder of the purchase price, if any, recorded as goodwill. When determining the fair values of assets acquired and liabilities assumed, management makes significant estimates and assumptions, especially with respect to intangible assets. Critical estimates in valuing certain intangible assets include, but are not limited to, future expected cash flows and discount rates. Although management's estimates of fair value are based upon assumptions believed to be reasonable, actual results may differ.

Goodwill and Other Intangible Assets

Goodwill and intangible assets deemed to have indefinite lives are not amortized but are subject to annual impairment tests. The Company evaluates goodwill for impairment at the reporting unit level annually on October 1 or whenever there are indicators that the carrying value of the assets may not be fully recoverable. The Company adopted the provisions of ASC 350, Intangibles - Goodwill and Other, which permits, but does not require, a company to qualitatively assess indicators of a reporting unit's fair value. If after completing the qualitative assessment, a company believes it is likely that a reporting unit is impaired, a discounted cash flow analysis is prepared to estimate fair value. Critical estimates in the determination of the fair value of each reporting unit include, but are not limited to, future expected cash flows and discount rates. Definite-lived intangible assets are amortized over their estimated useful lives of 2 to 50 years and are reviewed for impairment whenever there are indicators that the carrying value of the assets may not be fully recoverable. There were no impairment charges recorded for goodwill and intangible assets during the year ended December 31, 2017. The Company recorded an impairment charge for goodwill and intangibles of $11 million and $21 million during the years ended December 31, 2016 and 2015, respectively (see Note 18 in Item 8 for more information). If management used different estimates and assumptions in its impairment tests, then the Company could recognize different amounts of expense over future periods.

Employee Benefit Plans

The Company provides substantially all U.S. employees and employees at certain international subsidiaries with retirement benefits including defined benefit pension plans and defined contribution plans. The Company provides certain eligible U.S. employees who retire under qualifying conditions with subsidized postretirement health care coverage or Health Care Reimbursement Accounts.

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

In order to measure the expense and funded status of these employee benefit plans, management makes several estimates and assumptions, including interest rates used to discount certain liabilities, rates of return on assets set aside to fund these plans, rates of compensation increases, employee turnover rates, anticipated mortality rates, and anticipated future health care costs. These estimates and assumptions are based on the Company's historical experience combined with management's knowledge and understanding of current facts and circumstances. Management also uses third-party actuaries to assist in measuring the expense and funded status of these employee benefit plans. If management used different estimates and assumptions regarding these plans, the funded status of the plans could vary significantly, and the Company could recognize different amounts of expense over future periods.

The Company uses the corridor approach when amortizing actuarial losses. Under the corridor approach, net unrecognized actuarial losses in excess of 10% of the greater of the projected benefit obligation or the market related value of plan assets are amortized over future periods. For plans with little to no active participants, the amortization period is the remaining average life expectancy of the participants. For plans with active participants, the amortization period is the remaining average service period of the active participants. The amortization periods range from 5 to 30 years for the Company's defined benefit pension plans and from 7 to 24 years for the Company's postretirement benefit plans.

Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The market risk inherent in the Company's market risk sensitive instruments and positions is the potential loss arising from adverse changes in: commodity market prices as they relate to the Company's net commodity position, foreign currency exchange rates, and interest rates as described below.

Commodities

The availability and prices of agricultural commodities are subject to wide fluctuations due to factors such as changes in weather conditions, crop disease, plantings, government programs and policies, competition, changes in global demand, changes in customer preferences and standards of living, and global production of similar and competitive crops.

The Company manages its exposure to adverse price movements of agricultural commodities used for, and produced in, its business operations, by entering into derivative and non-derivative contracts which reduce the Company's overall short or long commodity position. Additionally, the Company uses exchange-traded futures and exchange-traded and over-the-counter option contracts as components of merchandising strategies designed to enhance margins. The results of these strategies can be significantly impacted by factors such as the correlation between the value of exchange-traded commodities futures contracts and the cash prices of the underlying commodities, counterparty contract defaults, and volatility of freight markets. In addition, the Company, from time-to-time, enters into derivative contracts which are designated as hedges of specific volumes of commodities that will be purchased and processed, or sold, in a future month. The changes in the market value of such futures contracts have historically been, and are expected to continue to be, highly effective at offsetting changes in price movements of the hedged item. Gains and losses arising from open and closed designated hedging transactions are deferred in other comprehensive income, net of applicable taxes, and recognized as a component of cost of products sold or revenues in the statement of earnings when the hedged item is recognized.

The Company's commodity position consists of merchandisable agricultural commodity inventories, related purchase and sales contracts, energy and freight contracts, and exchange-traded futures and exchange-traded and over-the-counter option contracts including contracts used to hedge portions of production requirements, net of sales.

The fair value of the Company's commodity position is a summation of the fair values calculated for each commodity by valuing all of the commodity positions at quoted market prices for the period, where available, or utilizing a close proxy. The Company has established metrics to monitor the amount of market risk exposure, which consist of volumetric limits, and value-at-risk (VaR) limits. VaR measures the potential loss, at a 95% confidence level, that could be incurred over a one year period. Volumetric limits are monitored daily and VaR calculations and sensitivity analysis are monitored weekly.

In addition to measuring the hypothetical loss resulting from an adverse two standard deviation move in market prices (assuming no correlations) over a one year period using VaR, sensitivity analysis is performed measuring the potential loss in fair value resulting from a hypothetical 10% adverse change in market prices. The highest, lowest, and average weekly position for the years ended December 31, 2017 and 2016 together with the market risk from a hypothetical 10% adverse price change is as follows:

Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK (Continued)

Long/(Short)	December 31, 2017		December 31, 2016	
	Fair Value	Market Risk	Fair Value	Market Risk
	(In millions)			
Highest position	$455	$ 46	$876	$ 88
Lowest position	(82)	(8)	(529)	(53)
Average position	213	21	27	3

The change in fair value of the average position was principally the result of an increase in prices underlying the weekly commodity position and, to a lesser extent, an increase in quantities.

Currencies

The Company has consolidated subsidiaries in more than 80 countries. For the majority of the Company's subsidiaries located outside the United States, the local currency is the functional currency except certain significant subsidiaries in Switzerland and Brazil where the Euro and U.S. dollar are the functional currencies, respectively. To reduce the risks associated with foreign currency exchange rate fluctuations, the Company enters into currency exchange contracts to minimize its foreign currency position related to transactions denominated primarily in Euro, British pound, Canadian dollar, and Brazilian real currencies. These currencies represent the major functional or local currencies in which recurring business transactions occur. The Company does not use currency exchange contracts as hedges against amounts indefinitely invested in foreign subsidiaries and affiliates. The currency exchange contracts used are forward contracts, swaps with banks, exchange-traded futures contracts, and over-the-counter options. The changes in market value of such contracts have a high correlation to the price changes in the currency of the related transactions. The potential loss in fair value for such net currency position resulting from a hypothetical 10% adverse change in foreign currency exchange rates is not material.

The amount the Company considers indefinitely invested in foreign subsidiaries and affiliates and translated into dollars using the year-end exchange rates is $8.2 billion and $7.3 billion ($9.4 billion and $9.3 billion at historical rates) at December 31, 2017 and 2016, respectively. The increase is due to the appreciation of foreign currencies versus the U.S. dollar of $0.8 billion and the increase in retained earnings of the foreign subsidiaries and affiliates of $0.1 billion. The potential loss in fair value, which would principally be recognized in Other Comprehensive Income, resulting from a hypothetical 10% adverse change in quoted foreign currency exchange rates is $820 million and $728 million for December 31, 2017 and 2016, respectively. Actual results may differ.

Interest

The fair value of the Company's long-term debt is estimated using quoted market prices, where available, and discounted future cash flows based on the Company's current incremental borrowing rates for similar types of borrowing arrangements. Such fair value exceeded the long-term debt carrying value. Market risk is estimated as the potential increase in fair value resulting from a hypothetical 50 basis points decrease in interest rates. Actual results may differ.

	December 31, 2017	December 31, 2016

	(In millions)	
Fair value of long-term debt	$7,777	$ 7,494
Excess of fair value over carrying value	1,155	990
Market risk	384	317

The increase in fair value of long-term debt at December 31, 2017 is primarily due to decreased interest rates.

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Archer-Daniels-Midland Company

Consolidated Statements of Earnings

Year
Ended